CHILDREN IN POVERTY

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

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CHILDREN IN POVERTY

WEDNESDAY, MAY 22, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

[For immediate release, Wednesday, May 15, 1985]

HON. HAROLD FORD OF TENNESSEE, CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A HEARING ON THE STUDY, "CHILDREN IN POVERTY, 1959-1984," CONDUCTED BY THE CONGRESSIONAL RESEARCH SERVICE AND THE CONGRESSIONAL BUDGET OFFICE

The Honorable Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will hold a hearing on Wednesday, May 22, 1985, on the study, "Children in Poverty, 1959-1984," conducted by the Congressional Research Service (CRS) and the Congressional Budget Office (CBO). The study will be released at the hearing, which will begin at 10:00 a.m. in room B-318 Rayburn House Office Building.

In announcing the hearing, Chairman Ford said, "Congressman Rangel and I requested this study because we wanted to explore the factors which influence the poverty rate among children. The researchers were asked to examine demographic trends, economic factors, government policies and other factors which could help to explain why, despite increased government expenditures, the poverty rate among children has risen. Policy options to reduce poverty among children are also examined."

Only invited witnesses will testify at the hearing. They will be representatives of the Congressional Research Service and the Congressional Budget Office. Public witnesses will be invited to testify at a subsequent hearing to be announced at a later date.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement for the record of the hearing should submit at least six (6) copies of their statements by the close of business, Friday, June 14, 1985, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and interested public, they may provide 75 additional copies for this purpose to the full Committee office before the hearing begins.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

On August 10, 1984, the Public Assistance Subcommittee, along with the chairman at that time of the Oversight Subcommittee of

the Committee on Ways and Means, requested that the Congressional Research Service, along with the Congressional Budget Office, conduct and submit back to this committee a study pertaining to children in poverty. We are very happy and pleased to have the Congressional Research Service and CBO submit today to this committee the findings on children in poverty, and we are delighted to have representatives of both agencies here with us today.

I joined with Congressman Rangel in asking the Congressional Research Service and the Congressional Budget Office to undertake a major study of children in poverty. We asked for the study because of the alarming rise of the number of poor children in this country. We asked the Congressional Research Service to examine in depth the various factors that affected the poverty rate in children, including demographic trends and government policies. We asked the Congressional Budget Office to examine various policies that would reduce poverty among children. The facts about children living in poverty are distressing. There were 13.8 million children living in poverty in 1983. The incidence of poverty among children climbed more than 50 percent from 1973 to 1983. Children are the poorest age group in this Nation. More than half of the children in all female headed families are poor in America. More than two-thirds of children in black female headed families are poor. More than 2.5 million children were poor in 1983, even though a parent worked fulltime all year round, and almost half of all black children, and one-third of all Hispanic children were poor in 1983. As a Nation, we can run, but we cannot hide from these facts. These are children. Through no fault of their own they are living in poverty.

Economic growth by itself will not help all of these children, only a portion of them. We must complement economic growth with a national commitment to break the cycle of poverty and the cost of such a commitment will not be small, but unless we invest now in this endeavor, we are going to see a permanent underclass develop in this country, a significant portion of our population born in poverty without any hope for a better life.

Such a development is something that we in this Congress and we in this Nation cannot afford, and I just want to personally thank once again the Congressional Research Service, as well as the Congressional Budget Office, for conducting this study and returning this information back to the subcommittee, and we look forward to hearing from the witnesses today, when we discuss not only those trends, but also offer some solutions and recommendations to some of the problems to bring the children of this Nation out of poverty.

At this time the Chair will recognize Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Mr. Chairman, I want to thank you for holding this hearing today for publication of this study, and we are here to be briefed by the Congressional Research Service and Budget Office on a very impressive and voluminous study that they have put together on children in poverty. I understand that many dedicated individuals have devoted the better part of a year to this effort, and we are looking forward to seeing the results of this work, which I have

just received. I have not had time to look at it as of yet, so I may not be able to ask many questions about it.

The Committee on Ways and Means and the subcommittee are fortunate to be able to rely on both of these staffs in helping us to focus in on what has got to rank as one of the most difficult and frustrating policy issues before us today. We are currently working from summaries of the study itself in trying to prepare for this hearing. The entire study, which I said I have just received, is longer than 650 pages of fairly small print, with scores of charts, tables, and over half a dozen appendices, which means it will take about a month of my studying to go through all of these and get completely up to speed. I am sure that it is somewhat like an encyclopedia of philosophy, and that we will be able to quote chapter and verse from it to support practically any point of view.

I have a feeling that this report, although it is the culmination of a year's long effort, represents more of a starting point than a conclusion. Many issues have been raised in this study, and many options for the reduction of poverty among children have been evaluated and we will want to explore these further.

For example, I have been very impressed with the distinction made between those in poverty for a long and for a short duration. I would like to learn more about why some people have only short spells of poverty, while others suffer long-term persistent poverty. Perhaps as we contemplate program changes we could take into account the differences in these populations.

I am interested in the analyses of the impact of the economic cycle on poverty rates. Evidently we cannot hope, ever, to reduce poverty among children unless we have a sound and growing economy. But at the same time, as Chairman Ford said, economic factors will not be enough to eliminate poverty altogether, at least for some children.

I am also interested in teenage pregnancies and what impact children having children has on poverty in this country, as well as why there is a large and really ominous growth in the number of female heads of households, and whether this is related directly and in a causal manner to poverty among children in this country. We must ask why there are more children without both parents, and whether our programs are impacting in this area.

It is clear that there are a number of ways to go about measuring poverty, although the trend lines will probably remain the same no matter what methodology is used. However, I would like to know if the different measures of poverty might possibly lead us to different program outcomes, to emphasize one type of assistance or another, and, if so, what the differences might be.

Market income, what the parents earn, is obviously an important determinant of whether or not children are poor. I would like to look at what this study and options tell us about ways to assist poor families without, at the same time, reducing their market income.

In closing, let me say that we are already aware that this nation pays a terrible price for having so many children living in poverty. The children's chances to become productive citizens are lessened. We often have to spend money on programs to remedy poverty related ailments, conditions, and problems which could have been

avoided in the first place, and, as a Nation, we lose the benefit of having all our citizens functioning at their best and highest level.

I anticipate the opportunity to read this study thoroughly and to glean from it some insights into the most promising ways to deal with this persistent and discouraging problem. I want to thank you again for being here.

Chairman FORD. Thank you, Mr. Campbell.

And before we call upon the two agencies to enlighten us on this subcommittee about the demographic trends and the economic factors and the Government policies which explain why there is so much poverty among children, we are delighted to have with us today one of our very able members of the other body of the Congress, the very distinguished member of the U.S. Senate from the State of New York, Senator Moynihan.

We are happy to have you, and we will be happy for you to make any opening statement you wish to make.

STATEMENT OF HON. DANIEL P. MOYNIHAN, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. Mr. Chairman, it is an honor to be here. I have appeared before you. This is the first opportunity to appear on your side, and with Mr. Campbell.

If not presumptious, I would like to congratulate you and the House for this study. The subcommittee has really kept at this issue, and this kind of work is not done on our side. I wish it were. I am on the comparable subcommittee of the Finance Committee. We do not do this work, you do. I would make one point, which you are familiar with, but not everybody is familiar with. Something quite extraordinary has happened in our country, and it is probably the only such country in the world about which that this can be said. We have turned the chances of being poor upside down. In our country today the chances of a young child being poor are six times as great as that of an older person who has retired from the work force, and it is not a question of in Denmark we have 100 poor people and 60 of them children. I mean, about one in every five children in this country is poor. The exact number comes down to about 18 percent if the market value of noncash benefits is counted in income. And for a person who is over 65, that figure is 3 percent, and there are large numbers in the case of children, 14 million compared to less than 4 million older persons who are poor in this country.

Now, what does this say about the future? There cannot be a time in history in the past where the number of poor children would reflect the number of poor parents. It is not new. We do not understand it, and that is why I welcome your having this hearing and allowing me to take part in it.

Chairman FORD. Thank you very much, Senator, and immediately after the witnesses have an opportunity to testify before the subcommittee and have a dialog with members of this panel later this morning, I would be happy to announce that I will be joining with the Senator and we will be introducing in the House as well as in the Senate today legislation to address some of the problems and some of the ills of the poor of our Nation, and I am talking in ref-

erence to antipoverty legislation, which will be introduced today, and later today we will have a press conference announcing that.

At this time the subcommittee would like to recognize Mrs. Velma W. Burke, a specialist in social legislation and head of the Income Maintenance Section, Education and Public Welfare Division of the Congressional Research Service.

Also, Dr. Rudolph G. Penner, who is director of the Congressional Budget Office.

At this time, Mrs. Burke, the Chair will recognize you.

STATEMENT OF VELMA W. BURKE, SPECIALIST IN SOCIAL LEGISLATION, AND HEAD OF THE INCOME MAINTENANCE SECTION, EDUCATION AND PUBLIC WELFARE DIVISION, CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS, ACCOMPANIED BY JEAN GRIFFITH AND RICHARD RIMKUNAS

Mrs. BURKE. Thank you, Mr. Chairman, Representative Campbell, Senator Moynihan.

On behalf of the Congressional Research team of analysts who prepared this report, I would like to thank you for the opportunity to give a brief account of our work.

With me today are two other members of our poverty study team, Jean Griffith, and at the end of the table, Richard Rimkunas. Dr. Griffith is a demographer. Mr. Rimkunas compiled and prepared much of the data and did much of the analysis for the report.

We had a large team, some 12 people worked on this. As Mr. Campbell has remarked, the report is very long, and even the summary of the report is rather long.

I am submitting for the record a summary of the report, but plan this morning to discuss the report in brief by use of some briefing papers, which I think everyone has received.

Chairman FORD. Your full text will be made a part of the record, and you may summarize in any way you wish.

Mrs. BURKE. Child poverty is a persistent problem, and for many years it has been growing as the chairman said. In the 10 years from 1973 to 1983, it grew more than 50 percent. An extra 8 children per 100 were added to the poverty population in that decade.

This lifted the child poverty rate to 22.2 children per 100. That is the highest level since the mid-1960's. The increase in the rate of poverty of children was so great in this decade that although the total population of children in the country declined by 6 million, we had an extra 4 million poor children. Our study explores the growth and the persistence of child poverty. It deals only with income poverty. It does not deal with other impoverishments, sometimes cited by economists, such as education poverty, health poverty, transportation poverty. We deal only with income poverty. We did not examine the possible impacts of insufficient money upon a child's health, his education, his aspirations, his work ethic.

The method that we used to examine this problem was to study and to examine income data from the Census Bureau relating to children for a number of years, from 1968 to 1983. Thanks to modern technology, our industrious team efforts, and computers, we analyzed data on some 2½ million persons. The file that we

amassed provides more information about the economic status of children than had been put together before. How did we use this data? We analyzed the poverty status of children in ways that supplement what the Census Bureau normally does.

As you probably know, when the Census Bureau decides who is poor, it looks at the cash income of the family before paying taxes, and it compares the cash income of the family to a yardstick, the poverty threshold. That threshold is roughly the sum of money equal to three times the cost of the thrifty food plan. The threshold is adjusted for family size, and, to some extent, for family composition.

We used that yardstick and applied it at different stages of the economic life of the family. We first used the yardstick to calculate how many children were poor on the basis of their market income only: how many children were poor if you looked just at the family earnings and other market income. We called that the market income poverty rate. We looked at trends in that rate.

Now, the Government can intervene to assist children who are poor with cash payments of two kinds, first, social insurance and, second, welfare, which is adjusted for need. So we looked at the contribution of each category. We calculated the poverty rates after social insurance, and before welfare, and then we calculated the poverty rates after all cash payments. The last calculation would be equivalent to what the Census Bureau does; it gives us the official poverty rate. It happens that Federal outlays for noncash aid to needy persons now far exceed those made in the form of cash. So we also did some calculations to see how trends are affected and poverty rates are affected if you count noncash benefits; and Senator Moynihan's comparison of the poverty rate of children and the aged makes use of that kind of data. If you take into account major noncash benefits, including medical benefits, then, indeed, the aged have a poverty rate that is about one-sixth that of children.

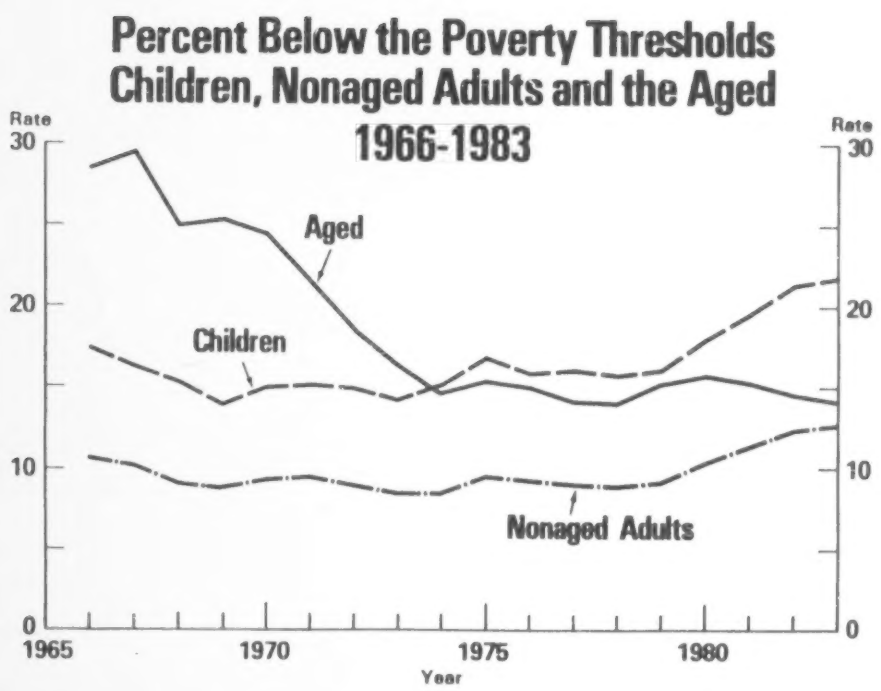
Our report is organized around, I would say, five major questions, and the briefing will follow the same order.

First, the extent of the problem, second, the extent to which poverty rates are influenced by household composition, third, the extent to which poverty rates reflect earnings of different kinds of families, fourth, the capacity of economic growth to influence poverty rates; and finally, the effect of government transfers upon poverty rates.

Chart 1, which is in your packet and also up on the easel, displays the incidence of poverty for three age groups, from 1966 to 1983, and it is immediately apparent that in 1974 children displaced the aged as the poorest age group.

[Chart 1 follows:]

CHART 1



Mrs. BURKE. The rise from 1973 to 1983, as we said, is more than 50 percent, and the end result in 1983 was that 22.2 children per 100 were poor. Now, that rate is about 50 percent above the rate for the aged, so if you measure the comparison in cash you get a 50 percent higher rate for the aged. The population of poor children changed somewhat over this period. Back in 1966, 59 percent of the children were white. In 1983, the share rose to 63 percent, because in this period the population of poor children became somewhat more white. Much of that occurred in the last few years. The red line, sharing child poverty incidence, ascends especially fast from 1978 to 1983. That was a time, as we will be discussing, when poverty rates rose sharply for children in two-parent families.

People often ask why did poverty rates for the aged go down so very rapidly, and I would say that the short answer is that we have made a commitment to the economic security of the aged, which is illustrated in a couple of ways. The Social Security Program covered most of the aged in the period shown. Also, in the early 1970's, the program received a high ad hoc benefit increase, and then, in 1975, had its first automatic cost of living adjustment.

In addition, in 1974 we inaugurated a guarantee of cash income for needy aged persons, the Supplemental Security Income Program, and that program also has benefits which are adjusted for inflation.

In the case of children, we do not have a counterpart program. The Social Security Act includes a program for needy children called AFDC [aid to families with dependent children], but its bene-

fits are set by States and have been eroded by inflation, as you will see.

There also are Social Security "insurance" benefits for children. For children to receive Social Security, they do not have to pass a test of need. Instead, they have to have lost a parent through death, or they have to have a parent who has retired or is disabled, and we will see later that the Federal dollars spent for children and their parent caretakers in the Social Security Program exceed the Federal dollars spent on the AFDC Program. So social insurance for children is also important.

The poverty income gap of children has increased. We have not only had a rise in the incidence of poverty among children, there also has been a rise in their poverty income gap, which is the shortfall, the amount of cash by which a family's income is short of its poverty threshold. The aggregate income shortfall for children increased from $10 billion in 1973 to $15.9 billion in 1983 in constant dollars.

Who were the 13.8 million poor children in 1983? Well, that is summarized on the first page. I will not go into great detail, but I will call your attention to the fact that they are roughly divided between children in female-headed families and children in male-present families, the latter being two-parent families and those in which the father is raising children alone. Almost one-third of the poor children had separate or divorced mothers, and one-eighth of the poor children, 1.8 million, had never-married mothers.

Table 1, which is on page 5, gives a picture of the variety of rates, and I guess it suffices to say that a child's chances of being poor are varied, depending upon race, family type, and presence of the father in the home.

[Table 1 follows:]

TABLE 1.—POVERTY RATES PER 100 CHILDREN BY FAMILY TYPE AND RACE, 1983 [1]

Children	White	Black	Hispanic	All children under 18 years
Total	17.3	46.7	38.2	22.2
In female-headed families (total)	47.6	68.5	70.5	55.8
Mothers: Never married	71.3	77.2	85.8	75.1
Separated or divorced	47.3	66.8	70.1	53.5
Widowed	27.9	60.7	38.9	41.1
In male-present families	11.9	23.8	27.3	13.5

[1] These rates refer to all children under age 18 and differ from those for related children, which are used in this report for trend data.

Mrs. BURKE. In general, a black child was almost three times as likely to be poor as a white. Almost one-half of the black children were poor, more than one-third of the Hispanics, and about one-sixth of the whites.

Family type has a profound influence upon poverty. In a female-headed family a black child has a chance of more than two-thirds of being poor. The group with the highest probability of poverty is children of never-married mothers. Overall, three out of four such children were poor in 1983, and, regardless of race; the poverty rate exceeded 70 percent for whites, for blacks, or Hispanics.

You will note that two-parent families show a variation in poverty rates as well. The rate for male-present families in the black community was double the poverty rate for whites; and in the case of Hispanics, it was more than double.

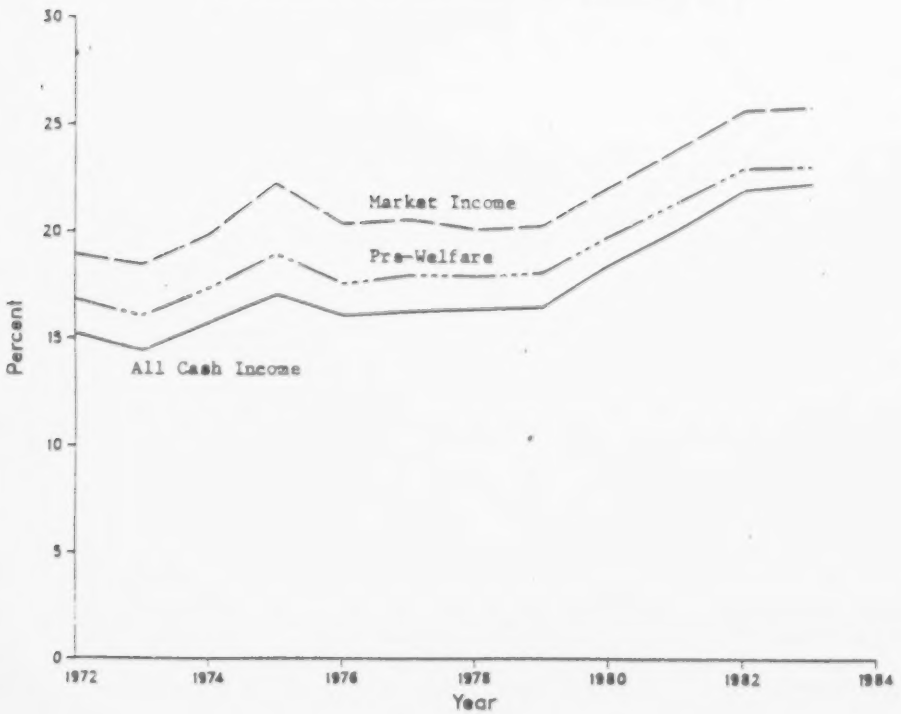
I should mention that there are distinctions between groups of poor people other than their incidence of poverty. As Mr. Campbell has pointed out, there is a distinction between those who are long-term poor and those who are short-term poor, and we find in general that two-thirds of the children who are poor at any time during their childhood—we define that as a 15-year period—are poor for no more than 4 years, but about one-seventh of those who are poor at one time in their childhood are poor for at least 10 years. Those who are persistently poor are demographically somewhat different from those who are short-term poor: over 90 percent of these children are black, and they tend to live in the South, in rural areas, and to not have a father at home.

As we talk about work and poverty, you will see that there are differences in earnings by race. Chart 2, which I will refer to very briefly, shows what I discussed earlier, the market income, poverty rate of children. We see that if children had only earnings or other market income of their parents, the rate of poverty would be very high.

[Chart 2 follows:]

CHART 2

Poverty Rates for All Children
by Source of Income 1972 – 1983



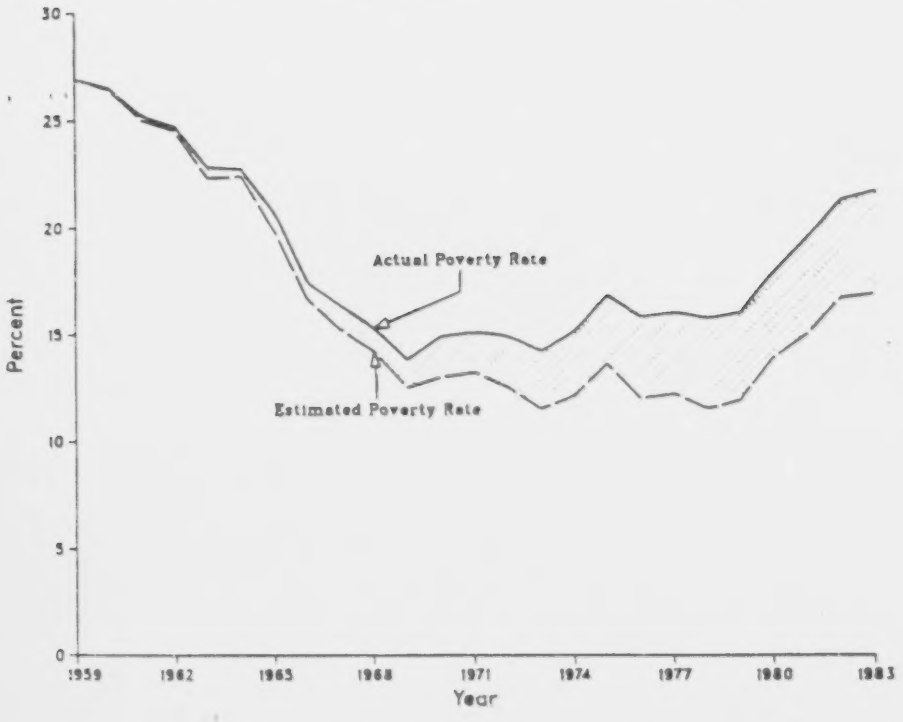
Mrs. BURKE. In 1982 and 1983, it exceeded one out of four children. In the period on this chart it is over 20 percent most of the time. Back in 1974 the rate was one out of five children. This deterioration presents a very serious problem for government. It makes the job of government more difficult and more expensive, if government has decided a goal is not to let the poverty rate rise. You see, when the market income poverty rate rises, unless there is a sharp increase in government transfers, the official poverty rate will also rise, and in this case, if we trace the course of the market income poverty rate over this decade, we find that it rose 40 percent from 1973 to 1983. However the all-cash poverty rate, the official poverty rate, rose 50 percent, and we can tell from this difference that the contribution of government transfers was relatively smaller in 1983 than it was back in 1973.

People ask, why is the poverty rate of children rising? Why is childhood poverty so persistent? Demographics explains some of the rise. Economics explains some. The share of children in female-headed families more than doubled from 1959 to 1983, In 1959, 9 percent of the children were in female-headed families. In 1983, the share was 20 percent. Our study indicates that if the proportion of children living with their mother alone had remained at the 1959 level of 9 percent, and nothing else had changed, although in the real world, things probably would have changed, we might have had 3 million fewer poor children than we did in 1983. That is shown on chart 3, page 7.

[Chart 3 follows:]

CHART 3

Estimated Child Poverty Rate Assuming Family Composition Had Not Changed



Mrs. BURKE. Why has the composition of the American family changed so drastically? According to some analysis done by Jean Griffith, our demographer, in the 1970's, the two main reasons, aside from the basic increase in population, were an increase in family break-up and an increase in births to unwed mothers.

In 1980 almost one-fifth of the new babies were born to unmarried mothers: forty-eight percent of the black babies, 11 percent of the white babies. Further, there has been a rise in the rate of births to unmarried teenagers. That rate quadrupled from 1940 to 1983. The rate of births to teenagers itself is going down, but the rate to those who do not marry before giving birth has gone up. This is a serious problem for those who are concerned about child poverty.

The studies that follow families over time indicate that there is a high probability that a baby born to an unwed mother will be poor, and if a baby is born into poverty, the longitudinal studies indicate that the chances are that the baby will be poor a long time. In the case of black babies the expected duration is about 15 years.

Not only is there a greater probability that a child will be poor if he lives with his mother alone—the probability is four times that of a child living with his father as well—but the poor child who is living with his mother alone is likely to be poorer. His poverty is deeper. We calculated the deficit and found that in 1980 a poor

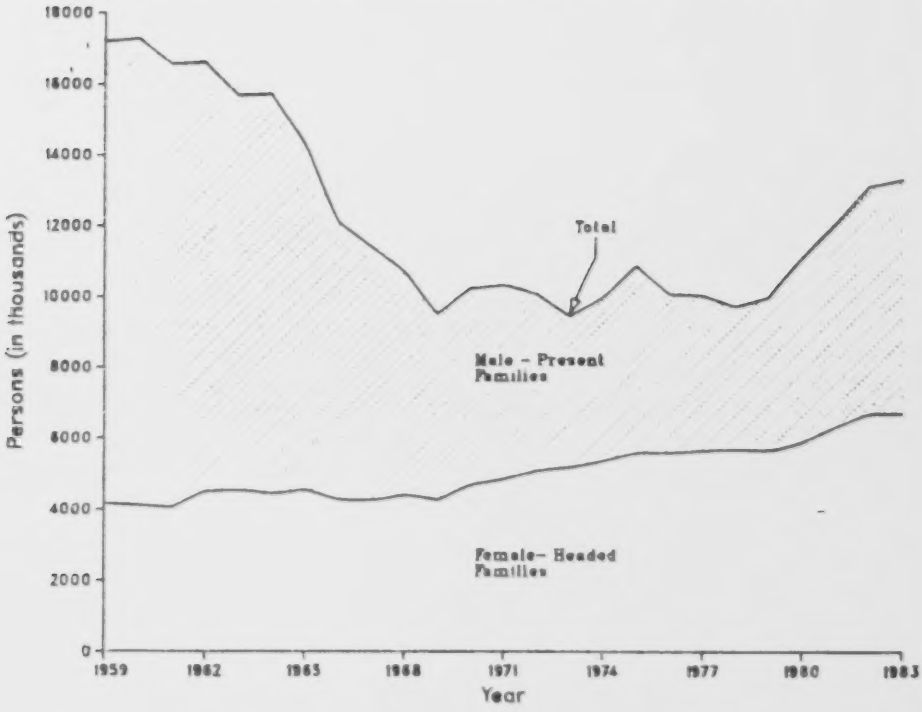
child with his mother alone needed about $1,300 to reach the poverty threshold. The poor child with a father at home needed about $930.

I have mentioned that in the period on the chart when the poverty rate climbs especially fast among children, from 1978 to 1983, the rate increased especially fast in the dominant group of families, the two-parent families, who account for 80 percent of our children. The fast rate of poverty increase among two-parent families meant that in this period there was a kind of "defeminization" of poverty. Chart 4, on page 8, shows the composition of children in poverty over the years. On this chart, if you were to draw a line from 1978 upward, you would have the point where the child population was most feminine in the sense that the highest proportion of poor children were in female-headed families that year, about 59 percent; but as we have already said, by the end of this period the distribution was about half and half.

[Chart 4 follows:]

CHART 4.

Composition of Children in Poverty According to Family Type: 1959 – 1983



Mrs. BURKE. Work and poverty was also an issue we looked at; and, as Mr. Ford has said, we found some surprises in that study. Most people would agree, and assume, that a child must have a parent who is working if he is likely not to be in poverty. Unless a child has a trust fund, or unless he lives in the one State where the AFDC maximum benefit is equal to the poverty threshold, most

children need a breadwinner in order not to be poor. What was surprising to us was the degree to which we found children who were poor, although they did have an earner. We found about 2½ million children to be poor on this basis.

We also found that if a black mother is working all year long fulltime to support her child, a black mother raising a child alone, the poverty rate of her children is about 20 percent. So one-fifth of the children in those black fatherless families whose mother is working all year round fulltime are poor. Further, a black child with two working parents is more likely to be poor than a white child with only one, that one being the father.

Further, if you have a black child in a married-couple family for his entire childhood, he is as likely to be poor, according to this income data, as a white child spending his entire childhood with a single mother. We found that black fathers tend to work fewer hours than white fathers work, and to have lower earnings. We found that black married mothers work more hours than white married mothers and have roughly the same hourly earnings, that black single mothers work fewer hours than white single mothers, and we have no explanations for these phenomena. We found that one out of four children would have been poor in 1983 if their only income had been their father's earnings.

Chart 5 on page 9 gives some of the factors related to the poverty rates of children. If you——

Chairman FORD. Mrs. Burke, the committee would like to announce a vote on the House floor, and we would like to stand in recess for about 8 to 10 minutes.

[Short recess.]

Chairman FORD. The subcommittee will come to order. I know there are several members who have not had an opportunity to vote and walk back over. At this time the Chair will once again recognize Mrs. Burke.

Mrs. BURKE. Thank you, Mr. Chairman.

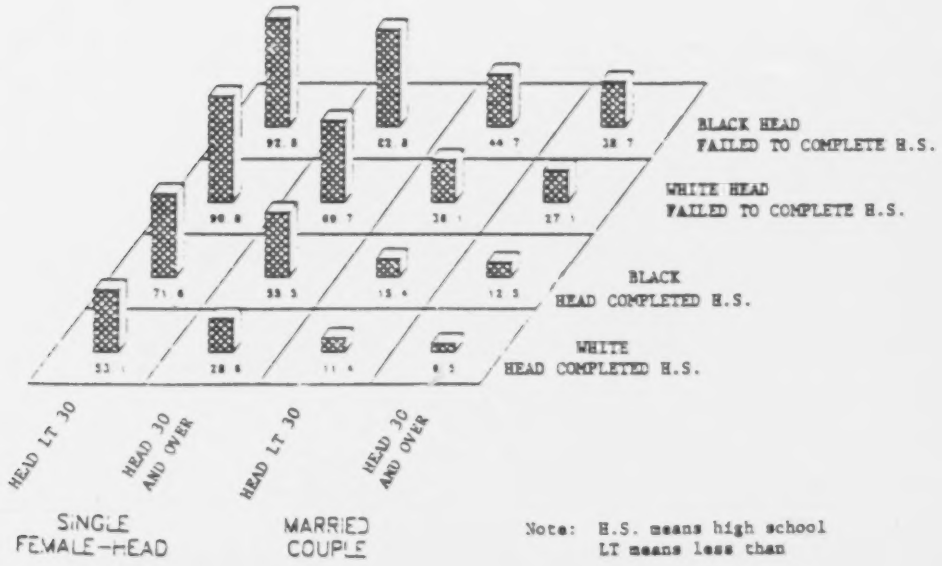
I will return to chart 5 on page 9, which summarizes many of the factors associated with the poverty rates of children.

If you move from left to right on this chart, the poverty rate declines. As you move from left to right, you go from single female-headed family to married-couple family, and within those two groups, you move from a family where the parent is young, under 30, to a family where the parent is over 30. If you move from the top to the bottom of the chart, the poverty rates also decline; and here you move from parents who did not complete high school to those who did complete high school, and within those two groups, from black parent to white parent.

[Chart 5 follows:]

CHART 5

POVERTY RATES AMONG CHILDREN: 1982 – 1983
BY FAMILY TYPE AND HEAD'S AGE, RACE AND EDUCATION
(PERCENTS)



Mrs. BURKE. The chart has what I think of as two skyscrapers up on the left. There you see that if you combine some unfavorable factors you have very high poverty rates. If you have a mother who is under 30, raising a child alone, and she did not complete high school, whether she is black or white, the chances are more than 90 percent that her child will be poor.

Now, I would like to turn to the question of economic growth and poverty rates. It appears that the capacity of economic growth to reduce poverty rates of children has been diminished by an increasing inequality in the distribution of family income. I would say that our study convinced us that there is very little hope of progress against poverty rates of children if you do not have a strong, strong economy, and that the fast increase in the poverty rates from 1979 to 1983, seems a clear reflection of the problems of recessions, high unemployment and, for much of the time, the failure of wages to keep up with prices.

However, as the Chairman said at the beginning of the hearing, it appears that economic growth cannot solve the problems for all families, and that its capacity to help families has been reduced by this increasing inequality in distribution of income.

I would like to try to make clear what we found to be a kind of complicated idea. What we found is that from 1968 to 1983 the average black father and the average white father—and to a lesser extent mothers, but the fathers demonstrated this most clearly—the average white father and the average black father increased

his family income in relation to family size and in relation to inflation. So there was a real increase in family earnings over that period.

Now, if every black father and every white father had had an increase equal to the average, if that had been evenly distributed, the study indicates that there would have been a sharply lower number of poor children in male headed families in 1983, probably about 2.5 million—again assuming that nothing else would have changed, and it probably would have in reality—but in the unreal world where you hold everything else constant, we would possibly have had about 2 million fewer poor children in white male-present families, and about 400 million fewer in those headed by blacks.

[Table 2 follows:]

TABLE 2.—TRENDS IN AVERAGE FAMILY INCOME POVERTY RATIOS BY LOWEST TO HIGHEST FIFTHS OF FAMILIES IN 1968, 1979, AND 1983 (BEFORE TAXES)

Year	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Top fifth	Top fifth divided by bottom fifth
1968	0.91	1.82	2.41	3.02	4.18	4.6
1979	.83	1.90	2.70	3.50	4.91	5.9
1983	.60	1.53	2.35	3.24	4.78	8.0

Note: Ratio of 1 means that a family's income equals its poverty threshold.

Mrs. BURKE. Another way of trying to demonstrate this is shown on table 2 of page 10. This is a little complicated too, but what we are arraying here is the ratios of family income to what you might call needed family income, or to the poverty thresholds for the family. On this chart, a ratio of one means simply that a family's income equals its poverty threshold, and what we see is that in 1983 if you rank these families by ratios, the bottom fifth—people in the bottom fifth had an average income equal to 60 percent of their poverty threshold, whereas back in 1968, the bottom fifth had incomes that averaged 91 percent of what you could call their needed income, or their poverty threshold.

Now, if you look at the top, you also see a change. The ratio of the top fifth has increased, while the ratio of the bottom fifth has decreased. And in 1983, the ratio of the top fifth was eight times that of the bottom, whereas in 1968, the multiple had been 4.6. And these are all before-tax figures.

Finally, we will look at the relationship of Government spending and poverty rates of children. There has been a question: Why did child poverty rates go up if Government spending for income security increased? First, most social welfare spending is in the form of social insurance, and most of it goes to people other than children. In 1983 the social insurance spending total by the Federal Government was $210 billion, and that was 10 times the Federal spending on general cash welfare. I have mentioned that the market income poverty rates climbed in 1983 to above 25 percent, meaning that if you were going to not have a deterioration in the final cash poverty rate, the Government cash contributions would have had to increase. But estimated cash benefits from social insurance available per child poor without that aid, poor on a market income basis, de-

clined sharply in constant value dollars, and the cash benefits available from welfare per child who was poor without that aid also declined sharply. For both social insurance and cash welfare, the declines amounted to 22 percent per child in period, 1974 to 1983.

Food stamp benefits, available food stamp benefits, increased per child poor without them, but, of course, official data do not count food stamps as income. We found the share of poor children served by food stamps declined in recent years, but the share served by Medicaid held steady, at about half. In both food stamps and Medicaid, the programs concentrated more of their help on the very poor, those whose incomes were 50 percent of the poverty threshold or lower.

As I have mentioned before, AFDC is a program where the States decide the benefit levels and pay what they can or will, and there is wide variation in the range of benefits, which you will see on chart 6. It shows a very sharp range in benefits. These benefits nationwide are financed 54 percent by the Federal Government, but the Federal share is higher for the States that are poor.

[Chart 6 follows:]

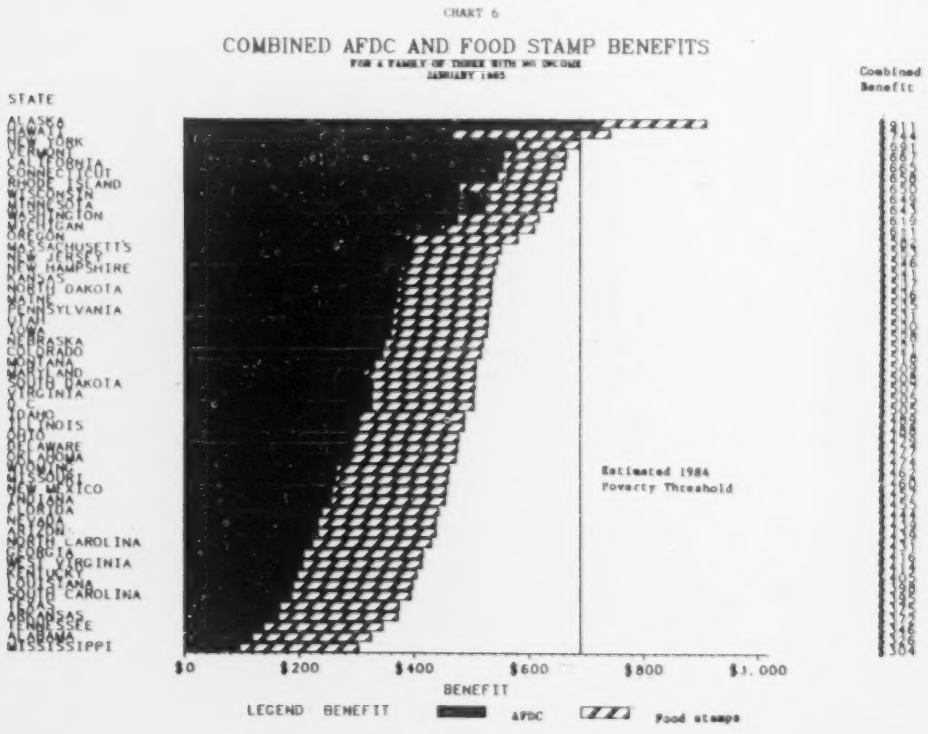
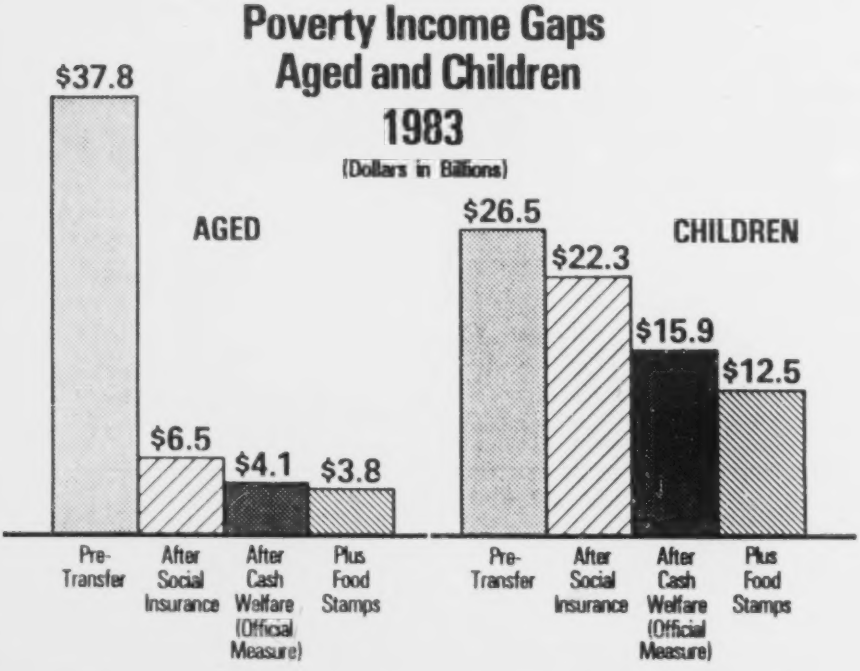


CHART 6
COMBINED AFDC AND FOOD STAMP BENEFITS
FOR A FAMILY OF THREE WITH NO INCOME
JANUARY 1985
STATE
Combined Benefit
ALASKA
HAWAII
NEW YORK
VERMONT
CALIFORNIA
CONNECTICUT
RHODE ISLAND
WISCONSIN
MINNESOTA
WASHINGTON
MICHIGAN
OREGON
MASSACHUSETTS
NEW JERSEY
NEW HAMPSHIRE
KANSAS
NORTH DAKOTA
MAINE
PENNSYLVANIA
UTAH
IOWA
NEBRASKA
COLORADO
MONTANA
MARYLAND
SOUTH DAKOTA
VIRGINIA
D.C.
IDAHO
ILLINOIS
OHIO
DELAWARE
OKLAHOMA
WYOMING
MISSOURI
NEW MEXICO
INDIANA
FLORIDA
NEVADA
ARIZONA
NORTH CAROLINA
GEORGIA
WEST VIRGINIA
KENTUCKY
LOUISIANA
SOUTH CAROLINA
TEXAS
ARKANSAS
TENNESSEE
ALABAMA
MISSISSIPPI
$911
$744
$691
$667
$650
$650
$643
$641
$619
$611
$606
$546
$541
$541
$536
$531
$530
$518
$513
$509
$502
$502
$502

Finally, we will turn to the last chart, which is also up on the easel. It summarizes the impact of Government action on the poverty of two groups, two groups not expected to work, the aged and children. We see that in 1983 on a market income basis, the deficit of the aged was around $38 billion.

[Chart 7 follows:]

CHART 7



Mrs. BURKE. For children, the deficit was $27 million. The contribution of social insurance, primarily Social Security, was to reduce the aged deficit very sharply down to $6.5 billion. There was a lesser contribution to the children from social insurance, but it still was significant, reducing their gap to $22.3.

And, finally, if you look at the impact of cash welfare, the deficit of the aged is reduced further, as is that of children. The overall picture is that Government cash aid reduced the market income poverty deficit of the aged by 89 percent, but reduced the income deficit of children by only 40 percent. Now, food stamps assisted both groups further.

I would summarize very quickly that we found that poverty rates among children have risen to the highest level since the mid-1960's, that the increased rates reflect underlying demographic changes and the state of the economy that there is a trend toward greater inequality of distribution of income, which has increased children's poverty, and that poverty rates have been affected by reduced Government cash benefits to children.

Thank you.

[The following was submitted for the record:]

POOR CHILDREN: A STUDY OF TRENDS AND POLICY, 1968-1984—THE BRIEFING PAPERS

TRENDS IN POVERTY AMONG CHILDREN

The incidence of poverty among children climbed more than 50 percent from 1973 to 1983, reaching the highest level since the mid-1960s.

The population of poor children grew more white from 1966 to 1983 (from 59% to 63%). But black children were almost three times as likely to be poor as whites in 1983.

Children are the poorest age group. More than half the children in female-headed families are poor—more than two-thirds in such black families. Highest poverty rates are those of never-married mothers.

The poverty income gap of children rose from $10 billion in 1973 to $15.9 billion in 1983 (constant 1983 dollars).

WHO WERE THE 13.8 MILLION POOR CHILDREN IN 1983?

7 million were in female-headed families:
- 4.4 million had separated or divorced mothers.
- 1.8 million had never-married mothers.
- 0.7 million had widowed mothers.

6.8 million were in male-present families.

FAMILY TYPE AND POVERTY

The share of children in female-headed families more than doubled from 1959 to 1983 (from 9% to 20%). If the proportion of children in mother-child families had not increased, it is estimated that there might have been 3 million fewer poor children in 1983.

The poverty rate climbed faster among two-parent families than in mother-child families from 1978-1983, somewhat defeminizing poverty.

The two main reasons for the growth of female-headed families in the 1970s (after population increase) were increases in marital dissolution and in births to unwed mothers.

In 1980 almost 1/5th of new babies were born to unwed mothers (48% of blacks, 11% of whites). Birth rates to unmarried teenagers have quadrupled since 1940.

The average poor child in a fatherless home needed almost $1300 in 1983 to reach the poverty threshold, compared with $931 needed by the average poor child in a two-parent home.

WORK AND POVERTY

More than 2.5 million children were poor in 1983 although a parent worked full time year round.

A black child with two working parents was more likely to be poor than a white child with only one (the father).

Almost one out of four children in married-couple families would have been poor in 1982-1983 if their only income had been their fathers' earnings.

Market income poverty rates of children rose 40 percent from 1973-1983.

ECONOMIC GROWTH AND POVERTY

Growing inequality in distrubution of family income (relative to poverty thresholds) has raised the poverty rates of children.

GOVERNMENT SPENDING FOR POOR CHILDREN

Estimated government cash benefits available per poor child declined 22 percent (constant dollars) from 1974-1983; but available food stamp benefits rose 31 percent.

The share of poor children served by AFDC and food stamps declined in recent years, but the share covered by medicaid held steady; the share served by subsidized housing increased. Food stamps and medicaid concentrated more benefits on the very poor.

The maximum AFDC benefit of the median state (ranked by benefits) fell about one-third from 1971 to 1985 (from $589 to $379 for 4 persons, Dec. 1984 dollars).

Government cash payments cut the 1983 market income poverty deficit of the aged by 89 percent, but the poverty deficit of children by only 40 percent.

POOR CHILDREN: A STUDY OF TRENDS AND POLICY, 1959–1984

Child poverty is a persistent problem and for many years has been growing. In the 1973–1983 decade an extra eight children per 100 were added to the poverty population, lifting the child poverty rate to 22.2 per 100. This was the highest rate since the mid-1960s.

As a result of the sharp rise in incidence of their poverty, the number of children rose by 4 million over the 10-year period, even though the Nation's total child population shrank by six million.

This study explores the growth of poverty among children at the request of the Subcommittee on Public Assistance and Unemployment Compensation and the Subcommittee on Oversight of the House Ways and Means Committee. The report examines the problem of poverty among children and seeks major causes for its persistence, and for its marked rise from 1978 to 1983.

To carry out the study, the Congressional Research Service (CRS) analyzed Census Bureau income data on 2.5 million persons for the years 1968 through 1983. The data file that CRS amassed provides more information about the economic status of children, in more detail, that had been brought together before.

OVERVIEW

Children displaced the aged as the poorest age group in 1974, and since then child poverty has grown deeper and more widespread. The number of poor children in 1983 totaled 13.8 million, of whom more than half lived in families headed by women.

A child's chances of being poor varied sharply by race, presence of the father, and martial status of the mother. Almost half of all black children and more than one-third of all Hispanic children were poor. In contrast, nearly five-sixths of all white children were not poor.

From 1978–1983 child poverty rates climbed more rapidly in two-parent families than in female-headed families, somewhat "defeminizing" poverty. Even so, children being raised by their mother alone were four times as likely to be poor as those with both parents at home, and the share of mother-child families climbed in those years to a new peak. Highest poverty rates were those of children with never-married mothers. More than 70 percent of children of never-married mothers, black, white, or Hispanic, lacked enough money to reach the poverty threshold. These children accounted for more than one-eighth of all poor children in 1983.

Without a working parent, a child is almost sure to be poor. But having a working parent is no guarantee against poverty. Many children need two earners or cash supplements to one earner's full-time wages if they are to escape poverty. One-fourth of children in married-couple families would be poor if their only income were their fathers' earnings. And black children with two working parents are more likely to be poor than white children with only one (the father).

Child poverty rates

Whether poverty is measured before or after Government transfer payments (social insurance and welfare), and whether the income counted includes or excludes non-cash benefits and money paid as taxes, child poverty rates rose especially sharply from 1979 to 1983.

Market income only.—In recent years a rising proportion of children have lacked sufficient family earnings and other private income to escape poverty. More than one child out of four was "poor" in 1983 if Government transfer payments are ignored. In 1974, when children became the poorest age group, the corresponding rate was one child out of five. The climb in "market income" poverty has made it harder and more expensive for Government to overcome poverty.

Total cash (official rate).—Public benefits have failed to fill the growing earnings gap caused by the rise in market income poverty. Accordingly, a rise also has occurred in the share of children who are officially poor, those whose cash income falls short of poverty thresholds even after any social insurance and cash welfare benefits are added to their market income. In 1983 more than two children out of nine were poor on this basis, compared with two out of about 13 in 1974.

Cash plus non-cash benefits.—The official count of the poor disregards non-cash benefits, which account for most welfare spending. If food stamps, school meals, subsidized housing, Medicaid, and Medicare are treated as income, the result is to lower the 1983 poverty rate for children by 12 to 28 percent, depending on how benefits are valued. Although addition of these benefits lowers the child poverty rate, it fails to change the upward trend in poverty from 1979 on.

After-tax cash.—The official poverty count also makes no allowance for income and payroll taxes, which reduce income available for general consumption. If these taxes are deducted from family income used to calculate children's poverty rates, the 1982 rate for children is increased by more than eight percent. Taxes had a larger poverty increasing effect in 1982 than in 1979, reflecting the erosion of the zero bracket amount and the personal exemption in the tax code caused by inflation.

Table 1 shows how the various child poverty rates increased in recent years. The official rate climbed 41 percent from 1974 to 1983, outpacing the rise in the market income poverty rate.

TABLE 1.—TRENDS IN POVERTY RATES OF CHILDREN

[Number per 100 children]

Income counted	1974	1979	1983
Market income only	19.8	20.2	25.8
Total cash (official rate)	15.7	16.4	22.2
Cash plus major noncash benefits [1]			
At minimum value	NA	12.8	19.6
At maximum value	NA	9.7	15.9
After-tax cash	NA	17.2	[2] 23.7

[1] Values depend on valuation method, discussed in chapter 2
[2] 1982

Poverty income gap of children

Not only has poverty become more common among children; it has intensified. On the average, the gap has widened between children's share of their family's cash income and their poverty threshold. The income deficit reached $1,149 per poor child in 1983, up 10 percent from 1974 (constant 1983 dollars).

Persistence of child poverty

Throughout the quarter century for which official poverty data are available, children's share of the poor consistently has exceeded their share of the overall population. However, in 1959 the child poverty rate was about one-fourth lower than that of the aged. Subsequently, poverty rates for both groups decreased. The 1959–1983 decline for the aged, which extended throughout most years of the period, was triple that of children. The incidence of child poverty was cut almost in half during the first 10 years, to a record low of 13.8 related children per 100 in 1969. Thereafter, the trend reversed. By 1983, although it still was below its 1959 level, the child poverty rate had climbed almost 60 percent above its 1969 low and was almost one-half above the 1983 poverty rate for the aged.

Social welfare spending

Federal Government transfer payments have increased sharply since 1965, start of what the Johnson Administration called its "war on poverty." Most of the expansion was in the form of social insurance payments, which are work-related entitlements, and non-cash welfare benefits. The latter impose an income test and base eligibility on "need." In constant dollars, social insurance spending, primarily for social security, tripled between 1965 and 1983. Selected non-cash welfare spending on programs that this report classifies as "basic" aid (food stamps, subsidized housing, and Medicaid) multiplied 19 times in real terms from very low initial levels. Federal cash welfare spending, however, rose only about 40 percent in real terms. As a share of gross national product (GNP), Federal cash aid declined from 0.70 percent in 1965 to 0.63 percent in 1983. (A drop in the GNP share spent on non-service-connected pensions for veterans more than offset a rise in the share spent on cash aid for other needy persons.)

By 1983, 26 percent of the total Federal budget went to cash social insurance outlays. At $210 billion, these outlays were 10 times the sum spent for cash welfare. Federal cash welfare outlays peaked in 1976 in real terms and by 1983 had dropped 19 percent below that record level. In contrast, basic non-cash Federal welfare spending rose in all years except 1982, and in 1983 such outlays totaled $40 billion, almost double the $21 billion spent on cash welfare.

Vulnerable children

The data show that family type and race have profound impact on poverty rates. In 1983 most children in female-headed families were poor. If the mother was a widow, the likelihood of poverty was three times as great as if she were married. If the mother had never married, the likelihood of poverty was almost six times as great as if she were married.

Compared with a white child, a black child: was almost 12 times as likely to have a never-married mother, was 2.5 times as likely to have a separated or divorced mother, and was 3.5 times as likely to have a widowed mother.

About one-half of all black children and one-fourth of Hispanic children, compared with 15 percent of all white children, were in female-headed families. Overall, a black child was almost three times as likely to be poor as a white child in 1983 (in 1966, the poverty rate of black children had been four times that of white children). An Hispanic child was more than twice as likely to be poor as a white child in 1983. As Table 2 shows, for each type of family the 1983 black poverty rate exceeded that of whites, and for all except children of widows the Hispanic rate exceeded that of blacks. The racial variation in rates was smaller for children of never-married mothers, all of whom had very widespread poverty. For both blacks and Hispanics, the poverty rate for children living with their fathers was double that for comparable white children.

TABLE 2.—POVERTY RATES PER 100 CHILDREN BY FAMILY TYPE AND RACE, 1983 [1]

Children	White	Black	Hispanic	All children under 18 years
Total	17.3	46.7	38.2	22.2
In female-headed families (total)	47.6	68.5	70.5	55.8
Mothers: Never married	71.3	77.2	85.8	75.1
Separated or divorced	47.3	66.8	70.1	53.5
Widowed	27.9	60.7	38.9	41.1
In male-present families	11.9	23.8	27.3	13.5

[1] These rates refer to all children under age 18 and differ from those for related children, which are used in this report for trend data.

Other conditions associated with high rates of child poverty include age of parents. Poverty rates are twice as high for children whose mother is 20–24 years old as for those whose mother is 40–44, both for married-couple and single-parent families. Poverty rates for female-headed families are 19 percent higher when the youngest child is under six. Incidence of poverty among families with five or more children is almost four times higher than among families with no more than two children.

The poor child population includes about 40 percent of children whose mother and father both failed to complete high school, but only 7 percent of those whose parents each received a diploma.

Household composition

"Feminization of poverty" is a newly popular phrase, but, as applied to children, it describes a condition at least as old as official poverty data. Children raised by mothers alone traditionally have had very high rates of poverty and have represented a disproportionately large share of the nation's poor children. However, from 1978–1983, a period frequently marked by recessions and relatively high unemployment, the share of the Nation's poor children in female-headed families decreased. This was because the poverty rate climbed more rapidly in the much larger group of male-present families, who generally obtain a larger share of their income from the market than female-headed families. The number of officially poor children increased by 3.6 million during these years, and 2.6 million of them were in families with a man at home. By 1983 there were almost as many poor children in male-present families as in female-headed ones. Five years earlier, when the share of poor children in female-headed families had peaked, such poor children outnumbered those in male-present families by 1.4 to 1.

The number of female-headed families with children rose 160 percent from 1959–1983, but the number of male-headed families with children increased only seven percent. By 1985 one of every five families with children was headed by a woman; in 1959 the share was 1 out of 11. If the proportion of children in female-headed families had not increased during the past 25 years, it is estimated that the number of

poor children in 1983 might have been almost three million, or 22 percent lower, than it actually was.

Components of growth in the number of mother-child families have differed at different times. During the decade of the 1970s, when the growth rate accelerated, one-fourth of the increase was due to population growth and one-fourth to increased marital dissolution, primarily divorce. Another one-sixth was attributable to a rising proportion of births out of wedlock, and one-tenth to a rise in the share of family breakups that encompassed children. Of the remainder (roughly 25 percent), about one-fourth was due to the trend for mother-child families to live in their own households rather than as a "sub-family" in another household. The rest was not explained by any of these factors.

Fifty-one percent of the 13.8 million poor children in 1983 were in female-headed families. Of all poor children, 32 percent had separated or divorced mothers; 13 percent, never-married mothers; 5 percent, widowed mothers; and 2 percent, married mothers whose spouse was absent. The rest were in male-present families.

Although the rate of change in family composition was most rapid in the decade of the 1970s, the changes are rooted in older patterns. Age of marriage, rates of divorce, and childbearing outside of marriage have changed for several decades. Divorce rates, for example, have been on the rise throughout the twentieth century. Birth rates to unmarried teenagers have increased steadily since at least 1940 and in 1980 were almost four times as high as in 1940 (27.6 per 1,000, compared with 7.4).

Dynamics of poverty

Studies that follow families over time have found that about two-thirds of children who are ever poor (on all annual basis) during a 15-year period remain in poverty for no more than four years. However, one poor child out of seven stays poor for at least 10 of the 15 years and can be considered "persistently" poor. These children spend two-thirds or more of their childhood in poverty.

Families who experience short-term poverty are demographically similar to the population as a whole, although blacks and female-headed families are some-what overrepresented. Persistently poor children have a different profile—90 percent are black. A significant majority lack a father at home and live in the South. Further, they are disproportionately rural.

The dynamics of childhood poverty differ markedly between black and white children. For example:

Poverty begins at birth for 45 percent of poor black children, but for 15 percent of poor white children.

The average black child can expect to spend more than 5 years of his childhood in poverty; the average white child, less than 10 months.

Much of white poverty is short term and associated with changes in marital status or family earnings.

Black poverty lasts longer and is less affected by changes in family composition.

A drop in earnings of a family member precipitates more than half of all episodes of childhood poverty and nearly two-thirds of those for children in male-headed families. For children in female-headed families, however, more than 40 percent of spells of poverty commence with the creation of a female-headed family itself. Declines in earnings of a family member account for slightly more than one-fourth of the spells of childhood poverty in mother-child families.

Higher family earnings are the primary route out of poverty for children. Increased earnings account for 91 percent of poverty exists by children in male-headed families, and for 60 percent of poverty exists by children in female-headed families. Persons other than the family head earn a significant part of the increased income that lifts the children out of poverty (almost one-third of poverty exits made by male-headed families, and more than one-half made by female-headed families, are associated with higher earnings of a family member other than the head).

Market income and poverty

From 1978–1983 the incidence of market income poverty among children climbed almost 30 percent, reflecting the relatively high unemployment and, to a lesser extent, the price inflation that prevailed during much of the period. High unemployment depresses earnings, the primary source of family income; price inflation drives up the poverty thresholds, which are adjusted yearly for changes in the Consumer Price Index. In 7 of the last 12 years average wages failed to rise as fast as the poverty yardstick.

Although the general demand for labor may be a more important determinant of family earnings than characteristics of individual workers, some families have less opportunity to work and some have lower potential for earnings than others.

Those with a high probability of having sub-poverty earnings include: families with no full-time earner, families headed by mothers who failed to finish high school, and married-couple families with fathers who failed to finish high school. High school dropouts have lower hourly earnings than graduates.

If a child has only one parent with a full-time, year-round job, the chances are about one out of 10 (in a married-couple family) or more than one out of 9 (in a mother-child family), that he will be poor. Even in married-couple families where both parents work more than 2,000 hours a year, the incidence of child poverty is almost 3 percent.

In all, more than 2.5 million children with at least one parent who worked more than 2,000 hours a year in 1982–1983 were poor. They represented more than one-sixth of all poor children in 1983, including one-third of all poor children in married-couple families.

Black fathers typically work fewer hours than white fathers, and when they do work, they receive lower hourly wages. Black married mothers work more, on average, than their white counterparts and receive about the same wage rates. Black mothers in married couples earn more than such white mothers, but their larger earnings do not fully offset the lower earnings of black fathers. White single mothers work more hours than white married mothers; black single mothers, however, work fewer hours than black married mothers.

For both married and single mothers, hours worked increase with age of the mother and of her youngest child; they decrease with the number of children.

Composition of family income differs by family type. However, as Table 3 shows, except for families of widowed mothers, all family types relied on earnings in 1982–1983 for more than half of total income.

TABLE 3.—SHARE OF INCOME EARNED, ALL FAMILIES WITH CHILDREN, BY FAMILY TYPE 1982–83

Type of family	Earnings as percent of family income [1]	Number of poor children per 100
Married-couple family	92.6	12.4
Female-headed family of		
Never-married mother	64.0	77.5
Separated or divorced mother	74.2	52.2
Widowed mother	44.4	36.5

[1] Calculated on basis of Census Bureau poverty definition, applied to 1982–83 data

Economic growth and income distribution

The poor can benefit either directly or indirectly from improved economic conditions. Economic growth brings job opportunities directly to some who are poor. Further, high employment generates more Government tax revenue, which can be used to increase transfer payments to some with inadequate earnings.

However, the capacity of economic growth to reduce the incidence of poverty among children appears to have been diminished by growing inequality in the distribution of family income relative to poverty thresholds.

The question of income distribution is laden with both emotion and value judgments. This report does not argue for or against a more nearly equal distribution of income, a choice that is reserved to the Congress. It merely notes shifts in the distribution of income and their effects on the poverty rates of children.

In 1983 the average income of families with children was $25,283. The average ratio of family income to poverty thresholds (which are adjusted for family size) was 2.48. Thus, the average family's 1983 cash income was more than double its poverty threshold. The distribution of family income was more unequal in 1983 than in 1968. For example, the share of income to the top fifth of families with children (ranked by the ratios of family income to poverty thresholds) was 8.0 times that of the bottom fifth in 1983. This compares to 4.6 in 1968.

From 1968 to 1983 average earnings and other market income of families with children, whether headed by a man or woman, rose relative to their poverty thresholds, which reflect changes in prices as well as in family size. These market income gains were much sharper for blacks than whites and for men than women. In the case of governmental cash transfers, the other source of money income for families, only male-headed families achieved gains relative to poverty thresholds. Their primary transfer payments were in the form of social insurance. For female-headed

families, the ratio of cash transfer income to the official poverty threshold declined, reflecting erosion of welfare benefits by price inflation.

If every family had experienced the average 1968–1983 change of its type (by race and gender of family head) in the ratios of market income and cash transfer income to poverty thresholds, the 1983 poverty rates for all family types would have been much lower than they actually were. If the income gains of white fathers had been evenly distributed among white male-headed families with children, the incidence of poverty among such families would have been cut by one-third from 1968 to 1983. Instead, because the distribution of the income gain was unequal, rather than equal, the actual poverty rate rose by more than one-half. For families of black men the relative income gain, if distributed equally among all such families, would have cut the poverty rate by almost one-half, but the actual cut was only one-eighth. Similar but lesser changes would have occurred for families headed by women.

According to simulations done by Professor Peter Gottschalk (Bowdoin College) and described in chapter 5, economic growth cannot be expected to reduce the rate of poverty for families with children very rapidly. The estimates suggest that unless there is a reversal of the trend toward inequality of distribution of family income relative to poverty thresholds, it might take as long as 12 years (with an unusually high 3 percent annual growth rate in average market income relative to poverty thresholds) for the poverty rates of male-headed families with children to drop back to the levels of 1979. For nonwhite female-headed families, the simulations indicate that it might take 5 years.

Government transfer spending

The incidence of child poverty rose 52 percent in the decade from 1973 to 1983, when the Federal spending for income security climbed 83 percent in constant dollars.

Why did child poverty rise in the face of a continued increase in these outlays?

The answer is that the increase in income security spending did not extend to cash outlays for poor children. Most of the extra spending for income security was in the form of social security cash payments, which climbed from $101 billion in 1973 to $171 billion in 1983 (constant 1983 dollars). About two-thirds of social security's 36 million beneficiaries in 1983 were at least 65 years old, and the program's inflation-adjusted benefits, plus those of the Supplemental Security Income program for the needy aged (and blind and disabled) helped to cut the aged's poverty rate by 13 percent during the decade.

In contrast to the growth in real spending for the aged, Government spending declined in real terms for social insurance payments and cash welfare benefits to children who were poor without such aid. Adjusted for price inflation, aggregate cash payments for such poor children were about six percent smaller at the end of the decade than at the beginning. This was so even though the number of children poor before transfers grew by almost 4 million during the decade. The rise in the incidence and severity of market income poverty among children was so large that real cash transfers would have had to rise substantially to compensate. Instead, these transfers declined in terms of constant purchasing power.

The primary social insurance program aiding families with children is social security. In 1983, the program paid $10.5 billion to children and parents. This exceeded by 40 percent the Federal sum spent on benefits to families enrolled in the cash welfare program, Aid to Families with Dependent Children (AFDC). A minimal estimate is that $3.5 billion of the social security benefits—about one-third—went to children whose families' earnings left them poor.

The four basic welfare programs for children—AFDC, food stamps, Medicaid, and subsidize housing—showed different trends in spending and in coverage of the poor.

The share of poor children served by AFDC and the food stamp program declined. The average monthly number of children in AFDC fell 11 percent during the decade, despite a sharp rise in the number of pre-welfare poor children. The result was that the number of AFDC children (some of whom may not have been poor on an annual basis) per 100 pre-welfare poor children fell from 73 to 50. The fraction of poor children who received food stamps in a survey month dropped from 76 percent in 1978 and 79 percent in 1980 to 69 percent in 1983. However, the share of poor children covered by Medicaid was unchanged from 1979 to 1983 at almost one-half, and the share of poor households with children that received subsidized housing rose from 15 percent in 1977 to 16 percent in 1981.

In recent years both the food stamp program and Medicaid have concentrated more of their benefits on "very poor" children, those whose annual family income is below 50 percent of their poverty thresholds. The share of food stamp households (with children) who were very poor more than doubled from 1980 to 1982, reaching

49 percent. Similarly, the proportion of Medicaid children who were very poor rose from 24 percent in 1979 to 39 percent in 1983. Moreover, the share of the nation's very poor children with Medicaid coverage climbed to 54 percent in 1983, up one-eight from 1979.

Unlike AFDC, food stamp and Medicaid outlays generally increased in constant dollars over the decade, except for a downturn in 1982. Subsidized housing benefits grew steadily. Social security outlays for children and their parents fell 19 percent in real terms, reflecting child population decline and phaseout of student benefits.

Maximum benefit levels and income limits for AFDC, Medicaid, and subsidized housing are unrelated to poverty thresholds. Maximum food stamp benefits, however, are so linked. They equal the adjusted price of the Thrifty Food Plan, which is roughly one-third of the poverty thresholds for most families.

States set maximum AFDC benefits, which vary widely, and they pay 46 percent of their aggregate cost. The food stamp maximum benefit schedule is uniform, and benefits are fully federally funded. Since food stamp benefits vary inversely with cash income, families without market income in low-benefit AFDC States receive larger food stamp benefits than those in high-benefit States. AFDC benefits have been eroded by inflation, and some of the cash benefit loss has been offset by food stamps. The maximum AFDC benefit of the median State (ranked by benefit levels) fell about one-third from 1971 to 1985 in constant dollars.

Welfare policy and the rise in female-headed families

By Federal law, AFDC is available only to needy children in single-parent families, unless the second parent is incapacitated, underemployed, or unemployed. Most States do not offer AFDC to unemployed two-parent families, no matter how needy they are.

When AFDC was enacted, 88 percent of families that received State welfare were needy because the father had died. AFDC benefits were intended to help the widow care for her children at home. But as time passed, the percentage of AFDC enrollees who were widows and paternal orphans shrank to a tiny minority. In March 1979 fewer than 3 percent of AFDC children were paternal orphans. And in March 1983 more than 88 percent of the children had able-bodied but absent fathers; furthermore, the fathers of 47 percent of AFDC children were not married to their mother.

Over the years there has been concern that concentration of AFDC benefits on fatherless families, and the program's exclusion of needy families with full-time jobs, may have inadvertently encouraged family breakup and unwed parenthood.

For both black and white teenagers, the proportion of premaritally conceived births increased from 1959 to 1978. At the same time a declining percentage of these unwed pregnant young women became married before the baby's birth. Some observers have maintained that welfare rules have discouraged marriage.

The most complete analysis of AFDC's effects on family structure (discussed in Chapter 3) found that AFDC has had a dramatic impact on the living arrangements of young single mothers, increasing the proportion who set up their own households. The study found that unmarried mothers in high-benefit States were much more likely to live in a separate household than those in low-benefit States. The study also found that benefit levels had a "relatively modest effect" on divorce and separation rates, primarily among young married mothers, but that they had no apparent effect on childbearing decisions of unmarried women at any ages.

The Seattle-Denver income maintenance experiment, which provided unconditional cash assistance (and offered separate payments to both halves of a couple that split up), increased the rates of family breakup among families, with or without children, who received job counseling or education subsidies in addition to cash aid. (In this study, "families" included unmarried couples with children who lived together on a continuing basis.) For families with children who received only cash aid, however, the payments apparently decreased rates of family breakup, according to an analysis recently reported.[1] Whether the difference was due to presence of children or to lack of non-cash services, or both, was not clear.

Some researchers have called for renewed attention to the rise of joblessness among young black men, which they consider to be a major cause of the long-term steady increase in female-headed households. The cause of the rise in joblessness is unclear. Study is needed to examine at least two hypotheses: (1) that demand might be low for young black male workers and (2) that they might be less willing to work than young black men were in earlier years.

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[1] Aaron, Henry. Six Welfare Questions Still Searching for Answers. The Brookings Review. Fall 1984. p. 15.

Issues for study

The interaction of wage rates, unemployment rates, welfare benefit levels, and categorical eligibility rules affect children's economic status in ways not yet understood. Among the major questions that need exploration are the following:

Why has the distribution of earnings relative to poverty thresholds become increasingly unequal for families with children? Is a polarization occurring between high and low earners (within each racial and sex group)? Why has there been a general rise in the proportion of persons with low earnings?

Does poverty among young adults, especially among high school dropouts, result from a change in employers' willingness to hire those without credentials, or from a change in skills required for today's jobs, or from a decline in motivation and skills of the young people?

What is the status of the one-half million poor children not in related families? How many are themselves heads of families?

Why are poverty rates of children in two-parent black families double (and those of Hispanic families more than double) those of their white counterparts?

To what extent is the rise in black female-headed families due to low job demand for, or changes in the labor supply of, young black male adults?

Why do black single mothers work fewer hours than white single mothers, and black married mothers work more hours than white married mothers?

What is the relative importance of the various factors that influence hours worked and wages earned by parents?

What is the impact of racial discrimination upon earnings of families with children?

In summary, the incidence and intensity of poverty among children reflect demographic, economic, and social conditions, along with public policies about transfer payments. The relative importance of these factors and the ways in which they interact are complex and not well understood.

Chairman FORD. Thank you very much.

The Chair would like to, before there are any questions to the Congressional Research Service, hear from the Congressional Budget Office.

At this time, Dr. Penner, we will hear from you and then the panel will have some discussion.

STATEMENT OF RUDOLPH G. PENNER, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mr. PENNER. Thank you very much, Mr. Chairman.

The Congressional Budget Office's [CBO's] part of the study focused on the policy options available to us. It was prepared under the general direction of Nancy Gordon and Marty Levine. I have with me at the table the two principal authors of the study Bob Williams and Gina Adams. If they look a little sleepy, it is because they have been burning the midnight oil to complete this project for some time.

Chairman FORD. I know that to be a fact. I have met with them. I had a couple of occasions to meet with them and discuss this matter yesterday in the office.

We are delighted to hear the policy options as they relate to some of the problems and how we can introduce some of the legislation and the policy options that we have before us in this Congress.

Mr. PENNER. Because Mrs. Burke did such a good job of outlining the characteristics of the problems, I will not read any of my statement that pertains to that. I would like, however, to submit my whole statement for the record.

By its very nature, Government affects the well-being of all citizens and influences how many of them are poor. Monetary and

fiscal policies affect economic growth and stability; they determine how readily workers can find jobs and how much they can buy with the money they earn. The taxes collected by Government help determine how much income is available to meet consumption needs. Moreover, an array of laws and regulations influences the operation of labor markets and other aspects of the economy.

In addition, governments at all levels provide a wide range of assistance intended to help people who remain in or near poverty. A number of cash and in-kind assistance programs—plus a tax credit for some families with low earnings—help low-income families with children meet their basic needs. Coverage is uneven, however, and average benefits vary geographically, sometimes greatly. Food stamps—a federally financed program that helps families afford a minimally adequate diet—is the only assistance that is available to essentially all families in or near poverty. Aid to Families with Dependent Children, [AFDC], which provides cash assistance, and Medicaid, which finances health care services, are shared Federal/State responsibilities. Aid under these programs is available to most children living in single-parent families with incomes less than State-established income-eligibility limits, which are generally well below the poverty thresholds. States also determine whether assistance is provided to children living in two-parent families where the principal earner is unemployed or works less than 100 hours per month. This core of assistance is supplemented by subsidized housing programs, which reduce shelter costs for some low-income families with children; by the earned income tax credit [EITC], which reduces the tax liability, or provides cash payments, for low-income families with children and low earnings; and by school-based meal programs that subsidize breakfasts and lunches for low-income children attending schools that choose to participate.

Complementing this direct assistance system are subsidies for employment and training intended to help the parents of poor children work their way out of poverty, as well as funding for a broad range of social services and education programs intended to alleviate some of the adverse consequences of poverty and reduce the incidence of poverty in the future. Most of this aid is available through annually appropriated programs that serve only a small share of those people who are eligible.

Because economic growth provides increased employment opportunities and higher incomes for those who work, Government efforts to help promote economic expansion should be considered an integral part of any antipoverty policy. Even in a growing economy, however, many families with adults who work in jobs with very low pay may have difficulty meeting their children's basic needs. Also, for families with no labor force attachment—especially families headed by single mothers who have responsibilities for caring for young children—poverty status is less related to the condition of the economy. Children in these families are more likely to remain poor for extended periods and to be dependent on welfare through much of their childhood. To a large extent, this long-term dependency results from their parents' low educational attainment, lack of skills, and limited early job experience. For some, long-term dependency is related to how young their mothers were when they

first gave birth, which contributes to all these difficulties. While children in such families account for a small proportion of the poverty population at any time, they consume a disproportionately large share of welfare expenditures over the years and pose the greatest challenge to antipoverty policy.

Options for altering current Federal efforts that help to reduce poverty among children, or its effects on them, are as varied as views regarding the dynamics of poverty and the appropriate role for Government. Some alternatives would comprehensively restructure the current welfare system. These range from proposals to have the Federal Government assume full responsibility for providing a minimum income floor for all families with children, to proposals that would greatly scale back the current public assistance system in order to increase incentives for low-income people to take responsibility for improving their own well-being. Also, several of the current proposals for restructuring the Federal income tax system include provisions that would reduce or eliminate the income taxes paid by poor families.

At the request of this committee, the CBO's contribution to the study that you are releasing today focuses primarily on options that would modify existing policies, but would leave the structure of the present public assistance system the same. Again as requested, the options considered include many of those contained in the proposed Omnibus Antipoverty Act of 1984 (H.R. 4920), which was introduced in the last Congress. In part II of the committee's report, the CBO examines more than 40 specific options; in part III, we provide additional detail regarding modifications to the AFDC Program.

The remainder of my statement presents examples of the options that are discussed at greater length in parts II and III of the committee report. The specific alternatives reflect three different approaches to dealing with the problem of childhood poverty:

One set of options would increase Government transfers to provide poor families with additional resources to meet immediate needs.

The second set of options includes policy changes intended to enhance the ability of low-income families with children to achieve economic independence and, thus, to escape poverty through their own efforts.

The final set of options is designed to help alleviate some of the potential effects of poverty on children, or to reduce the incidence of childhood poverty in the future.

In considering any option, several fundamental issues must be addressed. For one thing, how effective would a particular approach be? This question is often difficult to answer fully. Even when the amount of aid is easily quantified, as in the case of cash benefits for poor families, it is difficult to know how much assistance actually reaches the children and thus what the impact will be on their well-being. Also, in deciding how much assistance to provide, there is necessarily a dilemma involved in balancing more help for the children with reduced incentives for their parents to support their families themselves. In other cases, such as the provision of many social services, it is inherently difficult to assess the effectiveness of alternative policies. Finally, the long-run impacts

are seldom understood, even in cases where the immediate effects are well analyzed.

Even if there is general agreement that a particular approach is worthwhile, the large projected Federal budget deficits confront the Congress with difficult tradeoffs. Because many proposals to modify current policies would require additional outlays or would reduce revenues, other demands on the Government and limited tax revenues conflict with the desire to aid poor children. As the Congress works to reduce deficits, choices among these competing factors are particularly difficult.

The remainder of my statement, Mr. Chairman, considers specific options in some detail. Rather than read them all, I think it best just to take your questions on any that might interest you.

Thank you.

[The prepared statement follows:]

STATEMENT OF RUDOLPH G. PENNER, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

In 1983, nearly 14 million American children, or more than one child in five, lived in poverty as measured by the official Bureau of the Census definition. These children constituted nearly 40 percent of all poor people, and they and the adults with whom they lived represented more than two-thirds of the poverty population. Although these figures were recorded near the end of a deep recession and some improvement is likely because of the subsequent economic recovery, the poverty rate among children is not apt to drop very sharply, and large numbers of children will almost certainly be poor for some years to come.

I am pleased to be here to discuss the incidence of poverty among children and options for alleviating it. The information I will be presenting is taken from the Congresional Budget Office's (CBO's) contribution to the study of children in poverty that your Committee is releasing today.

My remarks cover three topics: The pattern of poverty among children; the current federal role in helping poor children; and options for altering present federal efforts.

THE PATTERN OF POVERTY AMONG CHILDREN

Any measure of poverty is necessarily arbitrary, and the number of people—including children—who are deemed to be poor depends on what yardstick is used. Nonetheless, such measures are useful, both as guides to how economic hardship is distributed within the population and as means of judging progress toward alleviating it. The official poverty measure, which was established two decades ago, judged each member of a family to be poor if the family had pretax cash income less than three times the cost of a nutritionally adequate but minimum diet. The measure remains essentially the same today, with adjustments made for changes in the cost of living. In 1983—the most recent year for which comprehensive data are available on family incomes—the poverty threshold for a family of three was roughly $8,000. For other families, the thresholds varied from about $5,000 for a single person to just over $20,000 for families of nine or more.

By the Census measure, 22 percent of all children were poor in 1983. Alternative measures of poverty can be constructed by specifying different poverty thresholds, and by altering the definition of income available to families. The latter could be changed to include in-kind benefits (such as food stamps and housing subsidies), and to exclude taxes that reduce the resources available to pay for goods and services. Under 11 illustrative combinations of such changes considered by the CBO, the overall childhood poverty rate varied from about two percentage points less than the official rate to about six percentage points above it (see Table 1).

TABLE 1.—POVERTY RATES FOR CHILDREN UNDER ALTERNATIVE ILLUSTRATIVE INCOME DEFINITIONS AND POVERTY THRESHOLDS, 1982

Poverty threshold [1]	Income measure [2]		
	Cash only	Cash plus in-kind benefits, minus taxes	
		Cash-equivalent value	Budget-share value
Official	[3] 21.9	20.7	19.8
Reindexed	21.6	20.3	19.4
New multiplier	24.9	25.6	25.2
Relative	26.4	27.7	27.3

[1] The "reindexed" threshold uses an alternative price index based on the consumption patterns of poor families to update the original thresholds for inflation since 1965. The "new multiplier" threshold recalculates the income-to-food-expenditures ratio, based on more recent data and including in-kind income and consumption. Finally, the "relative" threshold is set at 50 percent of median family income. Of the three alternatives, the first is about 1 percent lower, the second 13 percent higher, and the last 19 percent higher than the official threshold in 1982.

[2] Two income measures are used—in addition to cash only—to take account of the value of in-kind benefits people receive and the federal income and payroll taxes they pay. The cash-equivalent/recipient-value measure tries to determine how much recipients value in-kind income, while the budget-share value is equal to the smaller of the market value of the in-kind income and the normal expenditure on the particular good by families at the poverty level. Both alternatives subtract federal income and payroll taxes paid.

[3] This value represents the current Bureau of the Census poverty measure.

Source: Congressional Budget Office tabulations of March 1983 Current Population Survey including Bureau of the Census imputations of the value of the in-kind income and of taxes.

Under these poverty measures, the proportion of all children who are poor varies greatly according to household composition, ethnicity and race, and where the children live. Using the official definition, of all children living in single-parent households headed by women, 55 percent were poor in 1983—more than four times the rate for children in other households. In the same year, 47 percent of all black children and 38 percent of all Hispanic children were poor compared with 15 percent of all nonminority children. Among minority children in households headed by a single woman, about 7 out of every 10 were poor. Geographically, poverty was most common among children who lived either in central portions of metropolitan areas or in nonmetroplitan areas.

THE CURRENT FEDERAL ROLE

By its very nature, government affects the well-being of all citizens and influences how many of them are poor. Monetary and fiscal policies affect economic growth and stability; they determine how readily workers can find jobs and how much they can buy with the money they earn. The taxes collected by government help determine how much income is available to meet consumption needs. Moreover, an array of laws and regulations influences the operation of labor markets and other aspects of the economy.

In addition, governments at all levels provide a wide range of assistance intended to help people who remain in or rear poverty. A number of cash and in-kind assistance programs—plus a tax credit for some families with low earnings—help low-income families with children meet their basic needs. Coverage is uneven, however, and average benefits vary geographically, sometimes greatly. Food Stamps—a federally financed program that helps families afford a minimally adequate diet—is the only assistance that is available to essentially all families in or near poverty. Aid to Families with Dependent Children (AFDC), which provides cash assistance, and Medicaid, which finances health care services, are shared federal/state responsibilities. Aid under these programs is available to most children living in single-parent families with incomes less than state-established income-eligibility limits, which are generally well below the poverty thresholds. States also determine whether assistance is provided to children living in two-parent families where the principal earner is unemployed or works less than 100 hours per month. This core of assistance is supplemented by subsidized housing programs, which reduce shelter costs for some low-income families with children; by the Earned Income Tax Credit (EITC), which reduces the tax liability, or provides cash payments, for low-income families with children and low earnings; and by school-based meal programs that subsidize breakfasts and lunches for low-income children attending schools that choose to participate.

Complementing this direct assistance system are subsidies for employment and training intended to help the parents of poor children work their way out of pover-

ty, as well as funding for a broad range of social services and education programs intended to alleviate some of the adverse consequences of poverty and reduce the incidence of poverty in the future. Most of this aid is available through annually appropriated programs that serve only a small share of those people who are eligible.

OPTIONS FOR HELPING LOW-INCOME CHILDREN

Because economic growth provides increased employment opportunities and higher incomes for those who work, government efforts to help promote economic expansion should be considered an integral part of any antipoverty policy. Even in a growing economy, however, many families with adults who work in jobs with very low pay may have difficulty meeting their children's basic needs. Also, families with no labor force attachment—especially families headed by single mothers who have responsibilities for caring for young children—poverty status is less related to the condition of the economy. Children in these families are more likely to remain poor for extended periods and to be dependent on welfare through much of their childhood. To a large extent, this long-term dependency results from their parents' low educational attainment, lack of skills, and limited early job experience. For some, long-term dependency is related to how young their mothers were when they first gave birth, which contributes to all these difficulties. While children in such families account for a small proportion of the poverty population at any time, they consume a disproportionately large share of welfare expenditures over the years and pose the greatest challenge to antipoverty policy.

Options for altering current federal efforts that help to reduce poverty among children, or its effects on them, are as varied as views regarding the dynamics of poverty and the appropriate role for government. Some alternatives would comprehensively restructure the current welfare system. These range from proposals to have the federal government assume full responsibility for providing a minimum income floor for all families with children, to proposals that would greatly scale back the current public assistance system in order to increase incentives for low-income people to take responsibility for improving their own well-being. Also, several of the current proposals for restructuring the federal income tax system include provisions that would reduce or eliminate the income taxes paid by poor families.

At the request of this Committee, the CBO's contribution to the study that you are releasing today focuses primarily on options that would modify existing policies, but would leave the structure of the present public assistance system the same. Again as requested, the options considered include many of those contained in the proposed Omnibus Antipoverty Act of 1984 (H.R. 4920), which was introduced in the last Congress.[1] In Part II of the Committee's report, the CBO examines more than 40 specific options; in Part III, we provide additional detail regarding modifications to the AFDC program.

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In considering any option, several fundamental issues must be addressed. For one thing, how effective would a particular approach be? This question is often difficult to answer fully. Even when the amount of aid is easily quantified, as in the case of cash benefits for poor families, it is difficult to know how much assistance actually reaches the children and thus what the impact will be on their well-being. Also, in deciding how much assistance to provide, there is necessarily a dilemma involved in balancing more help for the children with reduced incentives for their parents to support their families themselves. In other cases, such as the provision of many social services, it is inherently difficult to assess the effectiveness of alternative policies. Finally, the long-run impacts are seldom understood, even in cases where the immediate effects are well analyzed.

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[1] The specific parameters included in H.R. 4920 should be viewed as illustrative of various types of changes that could be made in current policies.

Even if there is general agreement that a particular approach is worthwhile, the large projected federal budget deficits confront the Congress with difficult tradeoffs. Because most proposals to modify current policies would require additional outlays or would reduce revenues, other demands on the government and limited tax revenues conflict with the desire to aid poor children. As the Congress works to reduce deficits, choices among these competing factors are particularly difficult.

INCREASE RESOURCES THROUGH DIRECT ASSISTANCE

One set of options would increase resources provided by the government—either by increasing benefits to families that are already eligible for assistance, or by expanding eligibility to reduce disparities that now exist in the treatment of similar types of families. Both approaches would improve the living standards of some low-income families with children, but they could also weaken incentives for low-income families to make their own efforts to escape poverty.

Increase benefit levels.—One option for increasing the incomes of low-income families with children would be to require that all states set minimum AFDC benefits at a level sufficient to assure that any assisted family would have cash income plus food stamps equal to at least 65 percent of the federal poverty guidelines.[2] If such a minimum were enacted to take effect in 1986, a family of three with no other income would receive an AFDC benefit of $396 per month, plus $132 in food stamps.

This option would raise AFDC benefits for some or all current recipients in 41 states. About 2.2 million families currently participating (that is, three-fifths of the total) would receive net increases averaging about $75 per month in the combined value of their AFDC and food stamp benefits, and an estimated 190,000 additional families would join the AFDC program. Such a change would increase net costs for the federal government and the states by about $2.7 billion in 1986, including increased AFDC expenditures, plus associated increases in Medicaid, net of reduced food stamp expenditures. About one-half of the increased costs would be borne by the federal government. Raising benefits would also increase work disincentives, especially for people with low potential earnings and those in areas where wages are generally low.

Another option would be to encourage states to raise AFDC benefits faster than they otherwise would by reducing the states' share of costs for benefit increases. For example, as proposed in last year's Omnibus Antipoverty Act, the state share of benefit increases made on or after December 1, 1983 could be reduced by 30 percent. Costs and effects would depend on state responses. If states continued to raise benefits at present rates, this option would serve only to shift costs from them to the federal government. Alternatively, states could elect to hold their AFDC costs at the same level they otherwise would have been, and use the increased federal payments to raise benefit levels. Under these alternative assumptions, federal costs would rise by $0.1 billion to $0.2 billion in 1986, while states could save as much as $0.1 billion in that year. Both federal costs and state savings would rise in later years, reflecting the impact of subsequent benefit increases. AFDC recipients in states that chose to increase benefits more rapidly than they now do would again, but the amount cannot be estimated.

A third option would be to liberalize the Earned Income Tax Credit (EITC). In recent years, the tax burden on poor families has risen rapidly. A four-person family with earnings at the proverty level will pay over 10 percent of its income in federal payroll and income taxes in 1985—up from about 4 percent as recently as 1978. Over roughly the same period, the real value of the EITC has declined. Between 1979 and 1983, the number of families benefiting from the credit declined by about 900,000, and total benefits realized fell by $300 million.

Raising the EITC from 11 percent to 16 percent of the first $5,000 of earnings, and phasing it out between $11,000 and $16,000 of earnings—as called for in last year's proposed Omnibus Antipoverty Act—would approximately return the credit to its 1979 level. Such a change would reduce the marginal tax rate for about 2.5 million current beneficiaries with earnings between $6,500 and $11,000. It would also provide benefits to about 3.7 million families that have earnings between $11,000 and $16,000 and cannot qualify under current law. For the latter group, however, changing the EITC in this way would raise their effective marginal tax rates, thus reduc-

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[2] That level would be somewhat lower, for example, than the benefit level available through the Supplemental Security Income program, which serves low-income elderly, blind, and disabled people. This minimum AFDC benefit was included in the proposed Omnibus Antipoverty Act of 1984.

ing their marginal incentives to work. The net budgetary impact would be about $3.4 billion in 1986.

Reduce disparities in coverage.—Other options would reduce disparities in coverage under current programs by extending eligibility to families that are not currently served in some or all states. One alternative would be to mandate coverage in the AFDC program for poor two-parent families in which the principal earner is not employed or works less than 100 hours per month—a group that about half the states have chosen not to cover. Another option would be to provide coverage for all poor two-parent families, regardless of their employment status. The latter change—which would provide benefits to some families that are currently categorically excluded under federal law—would add an estimated 450,000 families to the AFDC rolls. Total net federal costs would be about $1.3 billion in 1986; state costs would amount to about $200 million in the same year such a change would reduce incentives for some low-income recipients to work, but it would also eliminate one incentive that low-income parents have not to marry or to break up if they are married.

Another alternative would be to require that states provide Medicaid coverage for all low-income children and pregnant women, regardles of the type of family in which they live. Mandatory Medicaid coverage for all children and pregnant women in families with income below 65 percent of the federal poverty guidelines, for example, would serve an additional 700,000 children and 100,000 pregnant women annually. This option would reduce disparities in the access of low-income children and pregnant women to health care without expanding eligibility for each assistance. It would rise annual costs by roughly $700 million, divided about evenly between the federal government and the states.

PROMOTE ECONOMIC INDEPENDENCE

A second broad strategy for aiding poor children would be to help their parents or guardians achieve economic independence. This approach could involve raising work incentive or work requirements in current transfer programs; increasing employer's willingness to hire parents of poor children, either by raising parents' skills or by lowering the cost of employing them; or expanding access to child care.

Increase work incentives or work requirements in current transfer programs.—Numerous changes could be made in the rules governing public assistance programs to encourage parents to work more. The federal government could, for example, raise permissible deductions from income under the AFDC and Food Stamp programs; this change would lower the amount by which benefits are reduced for people who work. Specific changes could include allowing larger deductions to cover work-related expenses, raising limits on deductible child care costs, or disregarding a larger fraction of earnings in calculating benefits. The combination of adjustments in the AFDC program called for in last year's proposed Omnibus Antipoverty Act would affect about 215,000 current recipients, raising benefits by an average of $69 per month in 1986 for 155,000 families, but lowering benefits by about $15 per month for 60,000 others. In addition, an estimated 190,000 new participants would qualify for payments averaging $116 per month. The total net cost would be about $0.5 billion in 1986, about 40 percent of which would be paid by the federal government. While this option would reward families that try to help themselves, its effect on work effort is unclear.

Another option would be to require that all adults in families receiving AFDC benefits perform some work as a condition of receiving benefits, unless they are exempted for reasons such as disability or the responsibility of caring for a young child. Currently, many states have some type of "workfare" program for AFDC recipients, but in most states it is not universal. Mandatory workfare would increase incentives for welfare recipients to seek jobs. It might also provide welfare recipients with opportunities to increase their skills and credentials so that they could become self-sufficient. Many claims about the value of workfare are in dispute, however. Reliable information on its effects should be available shortly when evaluations of current demonstration programs are completed.

Increase the ability of low-income parents to compete for jobs.—The employment prospects of low-income parents could also be improved by increasing their skills or by increasing the demand for the skills they have. One option for raising skill levels would be to increase training funds under the Job Training Partnership Act (JTPA). For example, an additional $100 million in JTPA funds earmarked for AFDC recipients could provide training to about 50,000 more people—an increase of more than 40 percent in the number of AFDC recipients who now receive JTPA training. Based on evaluations of an earlier program, there is reason to anticipate that JTPA training could increase the future earnings of welfare recipients, especially for those

with little previous work experience. Opponents argue, however, that some of the gains in earnings reflected differences in motivation between participants and nonparticipants, and that funding increases are not warranted.

Another approach would be to subsidize the wages of particular groups of workers. One option would be to reauthorize the Targeted Jobs Tax Credit (TJTC), which provides private employers who hire members of certain economically disadvantaged groups—including AFDC recipients—with tax credits of up to $3,000 for the first year of employment and $1,500 for the second year. Extending the credit, which is due to expire at the end of this year, and limiting eligibility to AFDC recipients would encourage private employers to hire members of this group. On the other hand, employers might receive the subsidy for hiring workers they would have hired anyway.

Alternatively, more jobs for low-wage workers might be available if certain regulations and laws affecting the operation of labor markets were relaxed or eliminated. For example, the Congress could reduce the federal minimum wage, which is currently set at $3.35 per hour. While this action would probably help additional members of poor families with children to find jobs, it would probably decrease earnings for some people who already hold minimum-wage jobs, because their wages would be reduced. The precise impact this option would have on poor families with children is not known.

Increase access to child care.—For some low-income parents, limited access to affordable child care may be the greatest constraint on their ability to look for jobs. One approach for increasing access is to provide incentive grants to states or nonprofit organizations to expand low-cost child care. Alternatively, child care for low-income families could be subsidized directly. For example, a set-aside could be provided in the Social Services Block Grant (SSBG), which is funded under Title XX of the Social Security Act. (Funding for the block grant is $2.7 billion in the current fiscal year.) In addition, the dependent care tax credit could be modified to make it more valuable to low-income families. Considerable disagreement exists, however, over the adequacy of the current supply of child care, the degree to which a lack of child care limits labor force participation, and the role the federal government should play in this area.

ALLEVIATE ADVERSE EFFECTS AND HELP PREVENT FUTURE POVERTY

A final set of options focuses on ways to alleviate some of the adverse effects of poverty on children, or to help prevent poverty in the future.

Because teenage pregnancy contributes substantially to child poverty and long-term dependence on public assistance, another approach would be to attempt to reduce the teenage pregnancy rate and to help those teenagers who become pregnant. One option would be to increase funding for family life education programs or for family planning information and services. For example, increasing funding by $100 million for Title X of the Public Health Service Act could provide family planning services to 1.4 million additional adolescents. Family life education and family planning could increase teenagers' knowledge of the consequences of sexual activity, as well as their access to contraception. There is great controversy, however, about whether it is appropriate for the federal government to fund such assistance or whether parents should be solely responsible. Pregnant teenagers could also be given information about adoption. In addition, comprehensive services could be provided to those teenage mothers who choose to raise their children themselves, by assisting them to remain in school and thereby improving their chances of achieving economic independence.

Another approach would be to provide ameliorative or preventive services to the children themselves. One example would be to increase funding for the Head Start program, which pays for a wide range of services for low-income children and their families through a preschool day care program. In addition to safe and developmentally oriented day care, the program provides children with medical and dental services, as well as balanced meals. While the long-term educational effects of the national Head Start program remain unclear, some preschool intervention programs have been found to lessen substantially the odds of failure in school, and even to improve employment experiences after high school. Funding for this program is $1.1 billion in 1985.

The federal role could also be expanded by helping prevent child abuse or neglect. Although these problems are found in families at all income levels, some low-income families find it particularly difficult to resolve their difficulties because of inadequate resources. One option would be to encourage states to develop programs to remedy some of the problems that low-income families face in the child welfare

system. For example, funds could be provided either through the Social Services Block Grant, or through a new grant program, to help states provide prevention and reunification services to meet the needs of low-income families.

Funding could also be increased for the Supplemental Food Program for Women, Infants, and Children (WIC), which provides food assistance and nutritional screening to low-income pregnant and postpartum women and their infants, as well as to low-income children up to age five. Evaluations of the WIC program have found it to be effective in reducing the incidence of low birthweight among infants—a condition that is linked to increased probability of infant mortality and a wide variety of birth defects. Program coverage appears to be incomplete, however. Current appropriations—which are set at about $1.5 billion in 1985—are estimated to be sufficient to serve only about one-third of all income-eligible women, one-half of all income-eligible infants, and one-fifth of all income-eligible children. Data are unavailable, however, on the proportion who also meet the nutritional-risk criterion.

CONCLUSION

In conclusion, children make up the largest single group among the poor in this country, and their numbers grew sharply between 1979 and 1983. While some improvement has probably occurred since the most recent information was gathered, children will almost certainly continue to constitute a large share of the poor population for some years to come.

Numerous options are available for altering current federal efforts to help these children, but most would either increase federal outlays or lower revenues during a time of overall budgetary stringency. Balancing the desire to help poor children with broad budgetary concerns poses difficult tradeoffs for the Congress.

Policy Options To Reduce Poverty Among Children

Aid to families with dependent children [AFDC]

Establish National Minimum AFDC Benefits.
Expand AFDC Unemployed Parents Program.
Make AFDC Unemployed Parents Program (AFDC-UP) Mandatory for All States.
Extend AFDC Eligibility to All Low-Income, Two-Parent Families, Regardless of Labor Force Status.
Raise AFDC Asset Limits.
Require Employable AFDC Recipients to Participate in Work-Related Activities.
Liberalize the AFDC Earnings Deductions.
Raise Federal Matching Rate on New Benefit Increases.

Earned income tax credit [EITC]

Return the EITC to its 1979 Real Value and Index.
Increase the Percentage of Earnings Allowed as a Credit.
Raise the Percentage of Earnings Allowed as a Credit and Increase the Turning Points.
Use Poverty Guidelines to Define Earnings Levels that Receive Maximum Credits.

Children's allowance

Food Stamps:
Increase Maximum Food Stamp Allotments.
Change Limits on Child Care and Excess Shelter Cost Deductions.

School Nutrition Programs

Make the National School Lunch Program and/or the School Breakfast Program Mandatory for All Schools.
Increase the Reimbursement Rates for the School Breakfast Program.
Raise the Income-Eligibility Guidelines to Encompass More Students.

Health care

Expand Medicaid Eligibility to Include All Children and Pregnant Women in Families With Income Under 65 Percent of Poverty.
Increase the Number of Federally Subsidized Primary Care Centers.
Provide School-based Health Insurance Coverage.

Housing assistance

Make Housing Assistance an Entitlement for Poor Families with Children.
Reduce Benefits and Expand Coverage for Poor Families with Children.
Reallocate Certain Housing Assistance Toward Cash Grants.

Supplemental Food Program for Women, Infants, and Children [WIC]

Expand Funding for WIC.
Convert SIC to an Entitlement Program.

Child welfare services

Increase Funding for the Social Services Block Grant (primarily title XX), and Earmark the Additional Funds for Child Welfare Services.
Provide Incentive Funding to Foster Innovative State Prevention and Reunification Service Programs.

Targeted education programs

Expand Head Start.
Increase Funding for Compensatory Education (Chapter 1).

Services Related to Adolescent Pregnancy and Parenthood

Increase Assistance for Family Life Education Programs.
Expand Access to Family Planning Services.
Expand Access to Adoption Services.
Provide Comprehensive Services to Adolescents Who Choose to Raise Their Children Themselves.
    Expand School-based Services.
    Develop Comprehensive Services Linked to the AFDC Program.

Employment and Training

Increase Training Opportunities for AFDC Recipients.
    Expand Funding for Job Training Partnership Act (JTPA) Programs.
    Enact a Program of Closely Supervised Work Experience.
Increase the Demand for Low-Paid Labor.
    Reauthorize the Targeted Jobs Tax Credit for AFDC Recipients.
    Remove Barriers to Employment.

Child Care

Encourage Greater Supply.
    Provide Incentive Grants for the Development and Operation of Targeted Child Care Programs.
    Promote the Development of Umbrella Organizations for Family Day Home Providers.
Improve Knowledge About Available Child Care Resources.
Improve the Affordability of Child Care for Low-Income Families.
    Earmark Social Services Block Grant Funds for Child Care.
    Modify the Dependent Care Tax Credit.

TABLE III-3. COMPARISON OF AFDC OPTIONS

Option	Affected Families	Number of Families Affected (In millions)		Average Benefit Change (In dollars per month)		Fiscal Year 1986 Cost (In billions of dollars) a/			Change in the Official Poverty Gap for Families With Children (In billions of dollars)
		Current Families	New Families	Current Families	New Families	Federal	State	Total	
Minimum Benefit	Categorically eligible families in low-benefit states								
60 percent of poverty		1.6	0.1	89	195	N.A.	N.A.	N.A.	-1.6
65 percent of poverty		2.2	0.2	111	197	1.3	1.4	2.7	-2.7
70 percent of poverty		2.3	0.3	160	208	N.A.	N.A.	N.A.	-3.9
Extend Benefits to Two-Parent Families									
All states, current eligibility rules	Two-parent families with unemployed earners in non-AFDC-UP states	0	0.1	--	228	0.2	0.2	0.4	-0.1
All poor families, regardless of employment status	Two-parent families not currently eligible due to employment status or living in non AFDC-UP states	0	0.4	--	397	1.3	0.2	1.5	-0.6
Liberalize Asset Limitations	Low-income families with assets above current limits								
$2,250		0	0.1	--	326	0.1-0.3	0.1-0.4	0.2-0.7	N.A.
Current food stamp limits		0	0.1	--	N.A.	0.2	0.2	0.3	N.A.
No limits		0	0.2-0.4	--	N.A.	0.4-0.8	0.3-0.7	0.7-1.5	N.A.
Require Employable Recipients to Participate in Work-Related Activities	All recipient families with employable members not now working and not otherwise exempted from work	Costs and effects of this option cannot be estimated for lack of data.							
Liberalize Earnings Deductions	Primarily families with earnings	0.2 b/	0.2	69 c/	116	0.2	0.3	0.5	-0.2
Reduce State Matching Rates for Benefit Increases	Unknown since state behavior cannot be predicted	3.7	N.A.	0-7	N.A.	0.1-0.2	-0.1-0	0-0.2	N.A.

SOURCE: Congressional Budget Office estimates.

N.A. = Not available

a. Combined budgetary effect of changes in AFDC, food stamps, and Medicaid.

b. 155,000 current recipients would gain benefits, while 60,000 would get less.

c. Average benefit increase for those current recipients whose benefits rise. Recipients whose benefits would fall would lose an average of $15 per month.

Chairman FORD. Thank you very much, Dr. Penner. I am sorry that I had to walk over to the House floor and vote. But we are delighted to hear from you today.

We have heard from CBO as well as CRS as we try to address some of the ills in which not only the children of this Nation are faced with, and those who are living below poverty, but when we look at information and see charts that have been shown to this committee today that children living below poverty have outnumbered or outranked the aged. And that is not to say that we support poverty among the aged, or any other class or group of people in this Nation, but we have heard from other agencies and we have heard from other independent studies just recently.

This committee made a field trip and heard from Dr. Larry Brown, who headed the physician's task force over at Harvard University, that talked about poverty and hunger in America reaching epidemic stages. We have received information on the subcommittee that shows, and will indicate very strongly that some 35 million plus Americans are living today below poverty, and we receive this report today, and many of us have not had an opportunity to go over it page by page, but the overview and testimony we have received today is devastating to know that some 13 plus million American children in this country are living below poverty. And I think it is clear to say that that is the next generation that will lead this Nation, and I am just happy to have the opportunity to chair this committee and to hear from these two panels joined by one of our very distinguished Senators from the other body, and members of this subcommittee who are willing and able to address this problem, I strongly would hope that the administration and other colleagues in both Houses of the Congress will continue to take a serious look in knowing that we must address the problem of poverty among children as well as hunger in America, and address some of those other ills in which we have been told so much about.

The CRS' portion of the study clearly shows that the study increased in the poverty—increased rate of poverty among children will increase today.

I am just wondering, when we look at this report, it goes up to 1983. I am sure that if we had information or primary information that we complete the study through the year 1985, I do not know of any set of policies that have been instituted or implemented that would make any significant changes as it relates to a decrease in the poverty level among children. And I don't know of any policy changes in this Congress that has addressed any of the problems in the past 18 months.

I would just like to hear from the Congressional Research Service. 1983 versus 1985, maybe a year and a half, 2 years later, are there any other indicators that would show that we would have a decline in the poverty rate among children? I know in the last Congress we passed the child support enforcement legislation, and information that we received during the time of the markup of that bill led us to believe that children in this Nation who had an absent parent who was not paying the child support, and children in this country with those parents know the household, and not paying child support, there was a loss of some $4 billion per year.

Mrs. Burke, you indicated that in 1959, the deficit was some $10 billion for children, and you said in 1983 that the same deficit has reached some $15.9 billion. I do not think child support enforcement legislation has had the time yet in many States to conform with the Federal laws that would assure the children of this Nation that they would receive their fair share of child support in the $4 billion that has been paid in.

Are there any changes that you would know of that might have taken place in the last 9 months that relate to policy changes or some of the options that the CBO has talked about that would make any difference? Would there be a change or difference in any of these figures from 1984 to 1985 that you have talked about today?

Mrs. BURKE. Mr. Chairman, the overriding change, I think, would occur in the economic condition, in the lower unemployment rates. The end of the recession, we think, should have a very favorable influence on the child poverty rate, at least, and/or especially, for children living in two-parent families. We will not know those figures until August. Our report does indicate that the reduction in poverty attributed to a more favorable economic climate is perhaps less, or may be less, than it would be if you did not have the problem of increasing inequality in income. And we do not know, that that problem will continue. It probably reflects a couple of things, first, the rise of single-parent families at the bottom of the income distribution who have low earnings, and the rise of families with two high-paid earners.

Second, it also probably reflects basic demographics, the fact that we had a large baby boom coming into the labor market in the 1970's, with more competition for jobs. In response, however, to your question about specific policy, it is our view that the intensified program of child support enforcement, including the provision that would require States by October, I think, it is October of this year, to have mandatory wage withholding for delinquent fathers, will be beneficial to many parents if it works.

However, many of the parents—many of the poor parents raising children alone—do not have child support awards. In many cases, paternity has not been established. So I think there are some basic limitations to that method of immediate aid for poor children.

Chairman FORD. In looking at the charts and tables that you have shown the committee today, is the decline in the purchasing power of the AFDC benefits a real factor in this poverty among children?

Mrs. BURKE. Yes. It is a factor in the increased poverty rate, particularly among children in single-parent families, yes.

Chairman FORD. It is a factor.

Mrs. BURKE. The fact is that the value of food stamp benefits, which are near cash and generally have kept up with inflation, is not reflected in the overall poverty statistics. The thing, I think, to keep in mind is that AFDC benefits appear to have eroded in real value by about one-third over a fairly long period.

Chairman FORD. When you look at the demographics of children in poverty today, is it clear that the majority of the poor children today live in female-headed families?

Mrs. BURKE. A slight majority, yes.

Chairman FORD. But can economic growth be expected to reduce the poverty rate? We have heard a lot about, well, the recession is over, the economy is coming back, America is back. Can economic growth be expected to reduce the percentages of the numbers of children living in poverty in the next 5 to 6 years?

Mrs. BURKE. We would hope so. But the effect, according to our analysis, would be more direct upon those children who live in two-parent families.

Chairman FORD. Are you saying that we need not complement this economic growth without any major changes in policy, and some of the options that maybe the Congressional Budget Office has submitted——

Mrs. BURKE. No. I meant to say that progress against poverty without a strong economy is almost inconceivable, but economic growth per se cannot solve the problem for many of the poor children. I do not think economic growth can solve the problem of the mother or the young father who has not completed high school nor of the never-married mother, who is very young and has not completed high school. Many other groups are very disadvantaged.

You will recall that we found that if the mother were black and worked full-time year round, the chances were 20 percent that her children would be poor, even though she already had a full-time year round job. And we found 2½ million children to be poor with a full-time year round worker. If they are to get out of poverty, they need a supplement to their earnings, they need another earner, or they need some other help. And the situation for those without earners is even more severe. So for children in female-headed families, a high proportion of those with low earnings, other aid is needed if the object is to reduce their poverty rate.

Chairman FORD. We talked about single-family households that are headed by females. We have talked about earlier this month, we had witnesses to testify on the issue of teenage pregnancies before this committee. There has also been some talk about AFDC eligibility. And in those Southern States where the welfare, public assistance, AFDC laws are such that you cannot have two-parent households, do you find in your study in this research, in this report, that you have submitted to the Congress, for it to be true that poverty among children has increased because of some of the eligibility requirements of the AFDC regulations?

Mrs. BURKE. We find that many poor children are excluded from AFDC by State rules or by the Federal rule about the Unemployed Parent Program, as Dr. Penner mentioned.

Let me explain, in many States, in order to receive AFDC, one has to be far below the poverty threshold. Being poor by the Census Bureau definition is not poor enough. The States set their limits, and we do not have any minimum floor, if there were to be a minimum floor, which is one of the options that Dr. Penner has outlined, the CBO has estimated the number of children who would be relieved of poverty.

In addition, the AFDC Program for unemployed parents now is restricted to children of primary earners who work fewer than 100 hours a month. And it is not available in about 27 States. Were that to be available, some of the low earners would have a cash supplement of the sort that our study indicates is needed.

Chairman FORD. The Chair will recognize Mr. Campbell at this time.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I want to thank the panel for the report that you have. I find it very interesting and very informative.

As I read your report, I see two things. You have cyclical poverty and structural poverty. Is that the logical conclusion?

Mrs. BURKE. Yes.

Mr. CAMPBELL. The cyclical poverty seems to affect the two-parent households more, with shorter term spells of poverty as their economic base rises and falls with the general economy. Is that correct?

Mrs. BURKE. That is the general finding, yes.

Mr. CAMPBELL. Then we talk about the No. 1 reason, the No. 1 way to cure poverty, and the cyclical poverty should respond to a strong economy. When we go over to structural poverty, I hear you saying that we have a number of causes that are to be considered. One, obviously, is education. There is a relationship there to education. There is a relationship to the age at which a girl gives birth. There is a relationship there as to whether or not that person marries. They are more likely to be in poverty even if they marry and separate. So I see a breakdown in the family unit as one of the great contributing factors to poverty.

Is that a logical conclusion?

Mrs. BURKE. Yes. The rise in the share of female-headed families with children has increased poverty because they have a high propensity to poverty.

Mr. CAMPBELL. I think we need to look at the problems of structural poverty. If we have a strong economy, we can deal with cyclical poverty, and, as you said, we are probably on a poverty downswing. As your figures indicate, we have had the highest inflation in history which wreaked havoc among those who were at the bottom end of the economic scale. But in looking at some of your suggestions, I am very interested in seeing some of the things that you were talking about.

In trying to lower teenage pregnancies, if I recall what I read correctly awhile ago, if we can reduce the number of single-parent pregnancies among girls under 18, that would reduce the poverty rate by 12 percent by 1990.

Is that a figure that I read?

Mrs. BURKE. I must refer to our demographer.

Mr. CAMPBELL. I will see if I cannot read it here.

Mr. PENNER. Mr. Campbell, I think that that particular number came out of our report, and that it is based on an Urban Institute study on the effect that reducing the teenage birthrate would have on AFDC costs.

Mr. CAMPBELL. Then, Dr. Penner, I believe in that same report—I cannot quite flip to it, but I was trying to read all this as quickly as I could, some of what I just got today—did it not also say that if you could cut in half the number of single-parent out-of-wedlock births, that you would reduce the poverty rate by 25 percent by 1990?

Mr. PENNER. That refers to reducing the birthrate of all teenagers, yes.

Mr. CAMPBELL. That is all of them. The first figure was under 18.

Mr. PENNER. And that refers to AFDC costs and not the poverty rate.

Mr. CAMPBELL. AFDC costs. So we have a major problem, and as Chairman Ford said, this Committee has been concerned with that. We did pass the child support legislation. It has not had time to go into effect. Where the paternity can be established, it may be of some benefit to have people live up to some responsibility.

We also had a hearing on teenage pregnancy in this committee just a short while ago, and there were some very shocking statistics. There was testimony, primarily from young girls, that they did not wish to marry the father of their children. The questions were pursued, and it was that they really didn't want to spend their life with that person; that they will have a child by them, they were still going out with them and they would continue to go out with them, but they just did not want to live with them and did not want to establish the relationship.

My concern is, and I think you have addressed it, how do we put our effort toward education of young people about prevention in this instance, which seems to me to be one of the great contributing factors overall to what we have. And I would like your observations. You have written a few things here. I would like both of your observations here. How do we get at this beginning of poverty which is, in that sense, structural?

Mrs. BURKE. One way that might sound indirect but might be beneficial, I think, is suggested by those researchers who feel that the primary cause for the rise in the number of families with children being raised by the woman alone, that the primary cause of that is the increase in the joblessness of young black men.

Mr. CAMPBELL. That is the eligible husband theory?

Mrs. BURKE. Yes.

And we do not know to what extent the increased joblessness of young black men reflects less demand for them, or to what extent it might reflect lower willingness to work at particular jobs compared with the willingness at earlier times. But, at any rate, it is a theory that perhaps needs exploration. And I have heard also anecdotal evidence about young women who said, no, I do not want to marry this man. He is a loser. And maybe if there were fewer of them who were losers, it would be a help.

There are research projects underway that would encourage young women who already have children not to have a second birth. There are many efforts at counseling, but I do not know any magic. And I think Dr. Penner may have other suggestions.

Mr. CAMPBELL. What statistics do you have in your report of single parents that have children in poverty that have the second and third child out of wedlock?

Mrs. BURKE. I am sorry, I do not know.

Mr. CAMPBELL. You do not——

Mrs. BURKE. We do not deal with that.

Mr. CAMPBELL. Dr. Penner?

Mr. PENNER. I do not think we have that particular number, no, sir.

In terms of your original question, there have been a lot of attempts in the past to provide what are called Family Life Educa-

tion Programs to try to increase people's responsibilities toward members of the opposite sex. In addition family planning services can be undertaken under title X of the Public Health Service Act.

To give you a idea of the numbers involved, $100 million could provide some sort of family planning services to about 1.4 million additional adolescents. The effects of that are, of course, difficult to measure. I am skeptical myself about any social science research. There are studies, however, that do indicate some degree of effectiveness in this area, especially if such educational efforts are combined with access to clinical services of one kind or another.

One very different point to note in terms of actual teenage marriage is that the teenage divorce rate is also very high. That is a problem in itself. A marriage may not last even if it does occur.

Mr. RANGEL. Will the gentleman yield?

Mr. CAMPBELL. Certainly.

Mr. RANGEL. I had hoped that one of the answers might have been, and I think that you touched on it, to give a profile of the teenage father, because Senator Long has always supported programs that were supposed to really capture this runaway pappy, as he called him, until he found out that the runaway pappy was some school kid who had no job, no skills, no hopes for a job. And it looked like he was heading on to a life of alcohol addiction or would end up in some penitentiary. And there are some organizations which are saying that with the increase of homosexuality in this country; the increase in black males being arrested, and the increase in high school dropouts, that we may be talking about the loss of the black father generally in our society.

So I know there are many studies, and I am anxiously waiting to see what the results are. But when you say whether or not this mother wants to marry, the question that has been presented to me is marry whom? Is that person really eligible for marriage or is he just another teenager that has almost as many problems as his impregnated partner?

Mr. CAMPBELL. Well, I certainly would not argue with that line of questioning or that thought because I think it is very true. It is supported, I think, by a lot of testimony we have had. I think there is one other point, though, and I will ask this.

Does our system that encourages a single mother, teenager, to move out and set up a new household from her parents contribute in any manner to an increase in poverty, or would it be better if we tried to keep a family structure, be it a nonfather family structure but a family structure, that had a linkage to the existing family where there was no obvious financial problem?

Mrs. BURKE. When a teenager does move out and establishes her own home, the mathematical result is probably an increase in the poverty rate, yes. And we have also learned that in those States where the AFDC benefit is relatively high, a greater proportion of young mothers set up their own household.

Mr. CAMPBELL. The system is encouraging them to set up their own households when they really may not be even capable of handling a household——

Mrs. BURKE. There is a greater tendency for young mothers to move out and set up their own household in higher benefit States.

And when you count who is poor, if the mother is back home, the income of the whole family household is usually used.

The answer to this question partly depends upon the accounting unit you use. If you just count the sort of subfamily that that mother and her child constitute within the bigger household, you would get a different answer.

Mr. CAMPBELL. I have more questions but I have used more than my time and I will come back.

Mr. PENNER. In about half our States, AFDC eligibility does not apply unless there is only one parent in the family. So some people think that this also acts as an important incentive for breaking up couples as well.

Mr. CAMPBELL. But what about the household where there is no couple but a teenager who is 16, who has a child, and through the system moves out and sets up a household rather than being perhaps with a mother or a family unit of sorts?

Mr. PENNER. I think it does have the effect, statistically at least, of increasing the poverty level.

Mr. CAMPBELL. Thank you.

Chairman FORD. The Chair would like to say for the record, Mr. Rangel, we are, in fact, conducting an indepth study on teenage pregnancy in this country, and we certainly would not want to send the wrong signals at this time because we are not totally clear as to how it relates to many of the problems, as it relates to black teenage pregnancy, and we would want to compile all the information necessary before we would really try to address the problem with legislation or resolutions in the Congress. Hopefully, we will have additional information in the coming weeks to try to address this problem, and hopefully we can respond to some of the ills that we are faced with now with some of our children living in poverty.

At this time, the Chair would like to call on Mr. Rangel, who is also one of the Members of this House of Representatives. And I joined with him to request a study from the Congressional Research Service as well as the Congressional Budget Office. At that time, Mr. Rangel was chairman of the Oversight Committee.

We are happy to have Mr. Rangel as a participant on the subcommittee today. The study is back and it is all yours.

Mr. RANGEL. Thank you, Mr. Chairman, Senator Moynihan, and my colleagues.

I certainly would like to acknowledge the great contribution to the resolution of this problem that has been made by public broadcasting, and the presence of Ossie Davis and Ruby Dee, who have come to join with us, who have always tried to take advantage of the support they have received from the Congress to try to resolve some of the problems that we are wrestling with.

Senator Moynihan, you have walked this road before, and because of the great bath you have taken, it makes it a lot easier for Chairman Ford and I to come behind and try to deal with this very thorny and embarrassing and uncomfortable problem that we know is not going to go away.

I would like to say to the Congressional Research Service, Mrs. Burke, and to the Congressional Budget Office, Dr. Penner, the results of the study have been startling and you have done a study that certainly should shock the conscience of this Nation. This com-

mittee, and with the leadership of Senator Moynihan, does intend to try legislatively to provide some leadership and reduce poverty and its effects.

The questions that I was going to bring forth, that Chairman Ford has already asked. It is generally believed that this great country of ours is going through an economic growth, and according to some people, we should expect that poor folks, and poor kids, and minority groups are going to be swept up and rise with the tide of this great economic boom. Yet it seems to us, and Senator Moynihan has written articles on this, that this might be the first time in the history of our Republic that this generation, unlike those who preceded us, will be leaving less of a legacy to our children than has been left to us. And it is not just a question of deficits, but it is a question of are we prepared to help up the economic ladder those of us who have less training and are more prone to chronic illness, alcoholism, drug addiction, social diseases, as well as incarceration.

It just seems to me that somewhere along the line that even the most conservative of economists, if they are not prepared to deal with the human losses that are in this, if they are not prepared to look at the problem from a compassionate point of view, might look at the problem from the point of dollars and cents to government from law enforcement, social workers, and more jails. We do depend on minorities for national security because of the number of minorities that are forced to seek the military as a way of life because they do not find opportunities in the private sector. And so I hope that we are able to attract some attention from economists and try to look at this from a cost point of view, if not a humane point of view. I just want to congratulate both of you for the great work that you have done traditionally for the Congress, but more specifically on this subject. And I thank the Chair, Senator Moynihan, and the members of this committee for tackling a very unpopular subject matter, but that in good conscience we cannot talk about full economic recovery without bringing this group along with it.

Thank you very much, Mr. Chairman.

Chairman FORD. Thank you very much, Mr. Rangel, and I, too, as chairman of the committee, join with you in the comments that you have made and think in terms of what the President has said in the last 5 years, and talked so firmly about the safety net. I just wonder what happened to that safety net in trying to protect the 13-plus million children in this country. And hopefully we can get on about the business of this Congress in trying to address this problem.

Once again we are delighted to have you with us, Senator. You have been great in this area. You have been one of the national spokespersons. We are delighted to have you here today, and I know the children and the poor of this Nation are also delighted.

Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I have one anecdote, two questions.

The anecdote is that it is just 21 years ago this month almost that Sargent Shriver and I came to the House of Representatives, appeared before the Committee on Education and Labor chaired by

the distinguished predecessor of my friend and colleague, Mr. Rangel, Adam Clayton Powell, Jr., and presented the Economic Opportunity Act of 1964.

The Antipoverty Program came to the Hill, and the Reverend Powell ran a somewhat difficult committee for the purposes of the minority. They got to speak last. After everybody spoke, they spoke. And he turned to this accomplished gentleman from Ohio on the minority side as I recall, asked what to do concerning poverty, and he read us "The poor you shall have always with you." That was the response to getting rid of them. We thought that was pretty silly at the time. It does not look so silly today.

We have seen, just before you came in, data presented by the CRS that the proportion of children poor in this country today is higher than it was 21 years ago when we began an effort to abolish poverty. Is that not the case, Mrs. Burke?

Mrs. BURKE. It is higher than the mid-1960's yes.

Senator MOYNIHAN. We have a higher proportion of poor children today when we undertook to abolish poverty 21 years ago. In the mid-1970's, the rate of poverty among children became greater than that for the aged, and that process is going on.

I have two questions. Some stunning data here to my mind.

How do you understand this question of the quintiles on your table 2, and perhaps, Dr. Penner, if you could help me as well as I read that table. You have a classic situation over nearly two decades of the rich get richer and the poor get poorer, and that may not be in absolute terms, but in terms of their relationship, that is clearly the case.

Mrs. BURKE. Yes. We read that table to indicate—that table measures, just as you said, not absolute income, but family income in relation to the family poverty threshold. In shorthand, one could say family income compared with what is needed. That is arbitrary, but it is a Census Bureau definition, and it shows that if you calculate these mathematical ratios and array the families by their ratios, the portion of their needed family income, the bottom fifth have a much smaller share.

Senator MOYNIHAN. And it has been dropping.

Mrs. BURKE. Yes.

Senator MOYNIHAN. I can read the table and you can. We could have a situation of everyone having a very much higher income, but the relevant relations change. Actually we are talking about the poverty level.

Mrs. BURKE. Yes.

Senator MOYNIHAN. If I could say, Mr. Chairman, some day we ought to look at that line. Molly Orshansky developed it in the early sixties, and it is based on the thrifty food budget. And you think of all of the money we have spent analyzing the subject, we might not have had a more subtle proposition than we do. Maybe not. Maybe it is simple and clear.

The point is we have a nutritional definition of poverty. It is no different than the system of one penny loaf a day. The amount of food it requires to keep you going does not change much from decade to decade.

In 1968, the lowest fifth of the average family income was just at the poverty line, a little bit below, and 15 years later, they are at

half the poverty line. Not in terms of how much food you eat. It is not just what makes you feel poor. There is obviously a slight elevation, I guess, in the budget, but not much. It is basically what it takes to keep body and soul together in terms of food times three.

Are we seeing a real shift in class structure here? Because that could be in this table. I have not seen any data on this topic.

Dr. Penner, you are the economist here.

Mr. PENNER. I would not want to read into it, sir, a permanent change in the class structure. I think a number of things are going on here.

One, the comparison between 1979 and 1983 is most dramatic. But note that all groups suffered relative to the poverty line over that period, and that was a period of very bad economic performance; 1979 was a peak year immediately followed by the recession of 1980 and the recession of 1981-82 which took us further from the full employment level than we have been since the Great Depression of the 1930's.

During recessions one naturally sees a tendency for the income distribution to broaden. That is to say, those people in the bottom 10 percent tend to be hurt most by a recession, so you are seeing some of the effect of that here, too.

There are demographic changes as well that affect all groups. They are primarily related to the fact that those from the big baby boom of the forties and fifties have been coming into the labor force. They have been in a much more competitive situation than people in my generation were when they entered the labor force. Generally, they have done more poorly than my generation did over a comparable period of their lifetime.

Thus, all of those forces are going on—almost all of which will now be reversed. The economic growth record of 1984 was an excellent one. Growth is continuing, although at a slower rate in 1985. The demographics are also changing. We are starting to bring into the labor force "the baby drought," those people born during the 1960's. Therefore, I think the chances are that what you see here is a temporary phenomenon. I would not say that with absolute certainty, there may be some other factors at work. But I think the largest quantitative factors are temporary.

Senator MOYNIHAN. Mr. Chairman, my time is up, but again I say I very much respect Dr. Penner's proposition, but this is something that bears further examination. You have a table showing the difference between the top and the bottom of society has become pronouncedly wider. From a ratio of 4.6 to 8.0 over 15 years is a change that bears examination.

Thank you.

Mrs. BURKE. I would like to say, that Senator, on page 167 is a year-by-year chart which is comparable, and Dr. Penner is right. In the most recent years there has been an especially sharp rise in the ratio of the top fifth to the bottom. But the change has occurred rather generally, I think, over that period. And I have just done a little bit of arithmetic. The multiple was 4.6, as we said, in 1968. It rises to 5.1 in 1973, 5.5 in 1975, a big recession year, 5.8 in 1977, and then after 1979 it speeds up, 6.4 in 1980, 6.8 in 1981. But it does bear further examination.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Chairman FORD. Thank you, Senator. And at this time we will recognize Mr. Pease, a member of the committee.

Mr. PEASE. Thank you very much, Mr. Chairman.

I am very pleased to be present today for the hearing. I would like to begin by paying a compliment to the CBO and CRS. And what I say will apply to both Agencies, but perhaps more so to the CRS. Just by the nature of things, CBO and Dr. Penner get a lot more visibility than CRS normally does.

At any rate, I think this is an absolutely first-class report. It just illustrates anew, if any proof is needed, what an extremely valuable Agency CRS is, and the very, very high level of competent research which is done for the Congress by the CRS.

In my view, the CRS is often an unheralded Agency. We tend to take your research for granted, but just looking at this report, one can get a glimmer of the amount of work that had to go into it, not only in terms of dedication, but intellectual brain time that was required to produce a report of this kind. So I would like to lavish all the praise I can on the CRS, and you, Mrs. Burke, for your work.

Mrs. BURKE. It was done by a big group of people.

Mr. PEASE. Not neglecting Dr. Penner.

Senator MOYNIHAN. Remember the demographers over there.

Mr. PEASE. Well, they are all under the umbrella of CRS. They get all the credit, too. I would like to ask one question which does not really relate directly to children and poverty, but sort of intrigues me. In chart 1 between 1979 and 1983, greater percentage of people went into poverty among children, among nonaged adults, but the percentage of aged people in poverty had gone down between 1979 and 1983.

We have heard a lot about cuts in programs. We have heard about the delay in the COLA for Social Security and Medicare, increases in all the rest. I would have thought that the trend line for the aged would have been similar to that for the children and the nonaged adults.

Can either of you shed any light on that phenomenon?

Mrs. BURKE. The major cash benefits to the aged are Social Security benefits, two-thirds of all Social Security checks go to the aged. In most of this period from 1975 on they have been automatically indexed. There was one period of delay in payment of the COLA.

Those Social Security recipients who are needy and aged may be eligible for SSI, the Supplemental Security Income Program, and its benefits, too, have been indexed.

In the year when the Social Security benefit increase was deferred, Congress passed a special extra benefit increase for the SSI people, and they have had a very large measure of protection against inflation, whereas that has not happened for children.

Mr. PEASE. Well, I understand the impact of indexing on that phenomenon, but it would appear from this that the cutbacks in recent years in food stamps, housing programs, and Medicare have not very adversely affected the aged or at least if they have, the effect has been overridden by increases in SSI and Social Security.

Mrs. BURKE. Well, this chart, sir, deals only with cash income so the cuts in noncash programs would not show, and actually our data show that spending on subsidized housing for households with children has increased. The aggregate spending on food stamps also

has gone up. However, we had an increase in the number of households who needed those food stamps.

If you consider the decade from 1973 to 1983, we had a reduction in of 6 percent aggregate cash spending for children in constant value dollars, both from social insurance and cash welfare. The drop in aggregate social insurance spending was partly demographic. Social Security goes to children who need not be poor, and we had a reduction in the overall child population.

Mr. PEASE. My sense of things is that the chief culprit in the downward trend line or the upward trend line in the poverty of children is the absence of a national standard for AFDC.

In fact, most of these children in poverty rely overwhelmingly on AFDC, and the States have set their own standards. At least I know in the case of my own State, Ohio, we have been notoriously lacking in changing those standards over the years.

Is that impression correct?

Mrs. BURKE. There are many States where the income limits of AFDC are below the povery threshold.

Mr. PEASE. And are there States that are generally very slow to adjust those standards?

Mrs. BURKE. It varies State by State. It is hard to make a general statement, but if you were to do so, we tend to look at the median State ranked by benefit level, and there we find that there has been an erosion in the constant—the actual, value of the benefits. There was a drop of about one-third of in real value of benefits in the median States from 1971 to 1985. I think Dr. Penner has some material about what reductions could be achieved with a national AFDC benefit floor

Mr. PENNER. First, if we look at the issue of variance across States, it really is quite dramatic. Between 1970 and 1985, for example, if year look only in terms of the maximum benefits—see page 304 in the report—you will see that California, for instance, actually increased its real benefits, whereas on that same page, you will see that a great number of States reduced their benefits in real terms, some by over 50 percent, with the median State being down a third.

We have looked at the issue of having a minimum benefit. In my testimony, I mentioned the option of setting the minimum benefit no lower than 65 percent of the poverty line. About 2.2 million families would be affected by that. They would receive benefit increases averaging about $75 per month.

The cost of that particular specific option would be about $2.7 billion in 1986. That reflects both State and Federal costs which would be shared about half and half.

Mr. PEASE. Thank you.

I think you, Dr. Penner, in your testimony mentioned some concern that even as standards are raised, more money is paid out. There is not necessarily an assurance that the money will go to the children in helping to alleviate their poverty or that actual condition.

When we had our recent field trip, I had a chance to see how the WIC Program is administered. I was very much impressed with the controls that are built into the WIC Program so that the families of those pregnant women and children actually get milk and other

nutritious products, and the WIC Program cannot be used for any other purpose.

Is there any difference, do you think, between something like WIC versus food stamps versus cash payments for AFDC in terms of the benefit actually going to the children?

Mr. PENNER. I cannot think of any obvious differences, sir. Of course, the WIC Program is tied to food assistance, which may put some constraints on it as opposed to a cash program. The point I made in my testimony, however, was more concerned with measurement. We just simply find it very difficult to trace the money through to the ultimate welfare of the child.

Mr. PEASE. Well, obviously, there is a measurement problem. You are not trying to suggest in your testimony, then, that there is a difference in how much benefit flows through to the children?

Mr. PENNER. No, I cannot think of any obvious differences except in the notion of certain types of aid being tied to an in-kind benefit. But as food stamps and food assistance have come more and more to be like cash, I think that the differences are small here. Medicaid, of course, is quite another matter. That is an in-kind restricted payment.

Mr. PEASE. Mrs. Burke, do you have any knowledge at all of any research that would bear on this question of effectiveness of cash payments versus something like the WIC Program which provides specific kinds of food to families?

Mrs. BURKE. No, sir, I do not, and I believe in some States the WIC Program does give cash as well. I think there is an alternative way of doing it. Sometimes it is a food package. Sometimes it is cash or vouchers specifying nutritious foods.

Mr. PEASE. Is there a realistic expectation that we can ever hope that mothers with a couple of kids, particularly minority mothers or those without a high school education, will ever be able to work their way out of poverty?

Mr. PENNER. I think the important th ng is your assumption. If, in fact, the unemployment rate did remain constant, it would be very difficult to make progress. To the extent it does decline, would be extremely helpful.

As Mrs. Burke pointed out several times, a lower rate of unemployment can help two-parent families find more work. It is less helpful for those with fewer skills.

For example, the recently divorced mother who may have good skills and may just find herself in a temporarily bad situation would, of course, be helped by economic growth. It has also been pointed out that we have a large number of people who work almost full time, but who remain below the poverty line. For that type of person I think one should look at the various job training and job encouragement kinds of options presented in my testimony.

Mr. PEASE. Well, I bring that up because a lot of people are suggesting these days that maybe we ought to cut back on welfare payments in order to encourage people to take a greater responsibility for their own fortunes, their own place in life, and it just seems to me that to a large extent that is based on false reasoning.

You have a chart, Mrs. Burke, which looks like a chess board, where you have a single female head of family with people who have not finished a high school education. I am in the process of

hiring a new assistant on my staff, and I am struck by the fact that you can put a want ad in the newspaper and you get 275 applications for one position. Most of those people with at least two degrees and most of them not currently holding a job.

And I say to myself in that situation, how do we expect a 16 year old, a nonhigh school graduate welfare mother to go out and get a job? I think that is ludicrous for us to assume she can do that.

Thank you for your testimony and I think you have done a superb job on this study.

Chairman FORD. Mrs. Burke, the committee would like to thank you and your support staff and Dr. Penner and his staff for putting together the facts and reporting back to the Public Assistance Committee the study on children and poverty.

As I mentioned earlier in my opening statement, as a nation we can run but we cannot hide from these facts. These are children we are talking about, and I would hope that this study will serve as the foundation for this committee and for this Congress, for the House of Representatives along with the great Senator here who will sponsor legislation on the Senate side.

I would hope that this study would be used as the foundation for new legislation to bring about some changes to bring some of these children out of poverty, and we are just very thankful and proud that both agencies reported back to the subcommittee these facts and the findings on children and poverty.

At this time, I think there is a comment by Mr. Campbell before we close the subcommittee hearing.

Mr. CAMPBELL. Mr. Chairman, I had a couple more questions if I might.

Chairman FORD. You may proceed.

Mr. CAMPBELL. Does our system itself encourage families or do we need to work on the system to make an attempt to keep families together? I will ask that of either one of you.

Mrs. BURKE. I think the studies are not as clear as one would hope them to be. The existing system is so different, for instance, from the negative income experiments that it is very hard to transfer and say we have learned anything that applies to the existing system. Those experiments have been widely described as showing that generous welfare can lead to the breakup of a family.

Mr. CAMPBELL. I am thinking more of the rules of the system.

Mrs. BURKE. The fact that an intact family is not allowed benefits unless there is an unemployed primary worker? I do not think there is any conclusive evidence on that.

Mr. CAMPBELL. Let me ask you about another area that was alluded to somewhere in the study. Does the system itself have work disincentives?

Mrs. BURKE. It does. I think Dr. Penner should give a more full answer as an economist. But when transfer payments are made to persons who do not have to work in exchange, the fact is that some people reduce their work efforts somewhat. That is demonstrated by several experiments and studies.

However, if the object of the transfer is to reduce poverty, transfers succeed in this. The most sophisticated study we described in our report, and it indicates that in the period from about 1967 to 1974 cash transfers doubled in real value, and they did diminish

some of the work that is assumed would have otherwise occurred; but even so the reduction in the poverty rate, the net reduction in the poverty rate, was 37 percent.

Mr. CAMPBELL. Do you think it would be possible to either define or redefine a system that would not provide a disincentive, but would still be able to attack the problem?

Mr. PENNER. If I could comment on that, I think it is possible, but it is just very expensive. I think that is the basic tradeoff that you always face. You improve work incentives by allowing people to keep more of what they earn, and in the case of welfare, that means reducing the benefits at a slower rate as recipients earn more. That, of course, takes the benefits way up into the income distribution, and, therefore, gets very expensive from a budgetary point of view.

On the other hand, what we do now is to reduce those benefits very rapidly. For example, if a family is earning $8,000 a year and it accumulates another $100 in income, it would lose $24 in food stamps, $11 in Federal income tax, and $7 in additional payroll tax. In addition, the earned income tax credit would be reduced by $12. So the net effect for that family of going out and earning that $100 in income would be to have just $46 left over.

Mr. CAMPBELL. What you are saying is that in the system itself, there is a dropoff there, because it is a disincentive at some point.

Mr. PENNER. That is correct.

Mr. CAMPBELL. If there was a cliff, you would try to slope it.

Mr. PENNER. That is right. But again, it gets very expensive.

Mr. CAMPBELL. We have touched on the earned income tax credit and other types of programs. We have not touched on what seems to encourage people to go to work and assist them. What about targeted job tax credits?

Mr. PENNER. Our own analysis suggests that it does have some kind of beneficial effect. It would be possible to narrow its scope and direct it only to AFDC recipients. We discussed that kind of option in our more complete study. We do not know much about its cost or its effectiveness. It does appear that the very act of qualifying for it and announcing that one is an AFDC person does have some stigma attached to it, and the result is that it is sometimes difficult to enjoy the benefits of it, but certainly that is one of the options.

You referred to the earned income tax credit as a work incentive. I do not think that is a very good description of it.

Mr. CAMPBELL. It is not a work disincentive.

Mr. PENNER. I am afraid it is. At the point where it starts to phase out, it imposes a very large disincentive, and there are more people in that range than in the range where it is actually an incentive.

Mr. CAMPBELL. Let me tell you why I am asking these questions, and I apologize, Mr. Chairman. I am looking for solutions just as we all are, and I think Mr. Pease said how do you tell a 16-year-old without a high school diploma who has a child to go to work. What about educational incentives in a system?

We seem to make some efforts toward pushing this, and we have heard a lot of testimony in other hearings that the thing that is

needed among these younger people is to increase their educational level, their skill levels.

Is there, and should there be, a program to address a lack of education, a lack of skill, no ability to get a job? Should we be, in fact, trying to tie some educational requirements into a system and try to break a cycle or should we let it go on again or is it worth pursuing?

Mr. PENNER. I think there are three aspects to the problem. Clearly the best thing is to prevent the pregnancy in the first place, and that is an educational activity.

Mr. CAMPBELL. That is a given. Let us talk about the aftereffects.

Mr. PENNER. Given that the birth occurs, you have to think about two things: The education of the mother, who is often very young, and also the educational opportunities of the child.

We do talk about various training programs for teenage mothers. It is an area in which it is difficult to design effective programs. But it is certainly something that one can experiment with.

We talk about the Head Start Program for the child. The evidence suggests a number of short-run benefits from the Head Start Program. The evidence on the longer run benefit, however, is a lot murkier and more uncertain.

In all of these areas, it is very, very hard to find the truly effective kind of education.

Mr. CAMPBELL. There are many other questions. I may submit some of them to you in writing to try to get them, because I do not want to take the committee's time. I am very interested in looking at a change in the system.

I see from your report, as I look at it, that we have had an increase in expenditures over a period of time, and yet we have had a decline in the per-child expenditure. As I look at the demographics of it, I see a tremendous change in the increase in the birth rate among single mothers, teenage mothers, and those at the lower end of the spectrum. I assume, and you correct me if I am wrong, that as we look at the decline in the overall number of children that were born during this period and an increase at the bottom, that we have a corresponding reduction in birth rate the higher up the income or educational ladder you go, and an offset of an explosion at the bottom. Is that true?

Ms. GRIFFITH. I think that the birth rates are currently declining in all sectors of the economy to all people.

Mr. CAMPBELL. I am talking about during this period of time.

Ms. GRIFFITH. They have been declining more rapidly among higher income couples.

Mr. CAMPBELL. Do you have figures on the higher educational level as well as income?

Ms. GRIFFITH. Not in this study, but they are available.

Mr. CAMPBELL. But they are declining at the upper income, upper educational——

Ms. GRIFFITH. More rapidly.

Mr. CAMPBELL. So that would create a disproportion as far as looking at the overall and the numbers at the bottom, because they are declining at the bottom, is that right?

Ms. GRIFFITH. Yes.

Mr. PENNER. It might be noted, sir, that if you look at it on the basis of race, the adolescent birth rate for blacks has, in fact, been declining more rapidly than for whites. But it starts at an enormously higher level, so it is still——

Mr. CAMPBELL. But the trend there is in the right direction. Is that what you are really saying?

Mr. PENNER. The trend is not in the right direction for white, unmarried adolescents. Their birth rate is increasing. The birth rate for unmarried black adolescents is decreasing. If you look at just unmarried adolescents, the rate is increasing. If you look at both married and unmarried adolescents, it is decreasing.

Mr. CAMPBELL. If we are going to do more to solve the problem, we had better aim at that one group as any one group out there, had we not, that unmarried mother?

Mr. PENNER. Yes.

Mr. CAMPBELL. That is where we seemingly can have the most impact according to your figures.

Mr. PENNER. That is where the problem is very serious. Again, designing the policies to address the problem is always difficult.

Mr. CAMPBELL. Thank you, sir.

Thank you, Mr. Chairman. I appreciate your letting me pursue that.

Chairman FORD. I thank you, Mrs. Burke, Dr. Penner, along with your staffs. We will be conversing with you in the coming weeks as we think of and try to work with the witnesses and those who would like to testify for the committee on these critical issues of not only children but of the poverty rates in general. Once again, thank you very much.

Senator MOYNIHAN. Could I express my appreciation for your graciousness.

Chairman FORD. Thank you.

At this time we will conclude the hearings.

[Whereupon, at 12:20 p.m., the hearing was adjourned.]

[A summary of the committee print associated with this hearing follows:]

5/22/85

SUMMARY AND HIGHLIGHTS OF
CHILDREN IN POVERTY

I. Poor Children: A Study of Trends and Policy, 1959-1984

- The Congressional Research Service prepared an historical analysis of children in poverty and Federal policy directed at those children. Highlights of their findings appear below.

New Insights

- Never-married mothers present the most severe child poverty problem (three out of four children of such mothers are poor) and their ranks are growing. In 1980 almost one-fifth of births were to unwed mothers, 48 percent of black births, and 11 percent of white births. If the incidence of never-married mothers had not increased from 1969 to 1979, it is estimated that the overall poverty rate might have been five percent lower in 1979. (pages 249, 104 and 70)

- More than one-sixth of poor children in 1983 were in families with at least one full-time, year-round job. These poor children numbered more than 2.5 million. Their existence belies the widespread view that a full-time job throughout the year is near-insurance against poverty. (pages 249 and 129)

- Market income (excluding government transfers) poverty rates of children climbed 40 percent from 1973 to 1983. Instead of rising to fill the earnings gap, government cash transfer payments to children poor without such aid declined by six percent in real terms. (pages 249, 183 and 177)

- A smaller share of the population of poor children is receiving food stamps and AFDC but the share aided by subsidized housing has increased in recent years, and the share covered by Medicaid has held steady. (page 177)

- Social security payments for children and their parents are substantially larger than Federal payments for AFDC benefits. (pages 249 and 218)

- The capacity of economic growth to reduce the incidence of child poverty appears to have been diminished by growing inequality in the distribution of family income relative to poverty thresholds. (page 249)

Who are the Children Who are Poor?

- The poverty rate reached 22.2 children per 100 in 1983, the highest level since the mid-1960s. The number of poor children totaled 13.8 million, of whom more than half lived in families headed by a woman. (page 35)

- A child's chances of being poor varied sharply by race, presence of the father, and marital status of the mother. (page 31-32)

  - Almost half of all black children and more than one-third of all hispanic children were poor. In contrast, nearly five-sixths of all white children were not poor.

  - In 1983, most children in female-headed families were poor.

  - Overall, a black child was almost 3 times as likely to be poor as a white child in 1983.

- Family composition and the age, race and education of the head of the family are all important factors in determining the poverty status of the family. For example, the poverty rate for children of white married couples whose father is at least 30 years old and a high school graduate is 6.5 percent. For children in black, single, female-headed families where the mother is under 30, and did not complete high school, the poverty rate is 92.8 percent. (page 127)

- High rates of child poverty also occur in families with fairly young mothers (20-24), in female-headed families in which the youngest child is under the age of 6, in large families and in families where both parents did not complete high school. (page 6)

- When AFDC was enacted, 88 percent of families that received State welfare were needy because the father had died. In March 1979, fewer than 3 percent of AFDC children were paternal orphans. And in March 1983 more than 88 percent of the children had able-bodied but absent fathers; furthermore, the fathers of 47 percent of AFDC children were not married to their mothers. (page 13)

- By Federal law, AFDC is available only to needy children in single-parent families except in certain limited circumstances. Twenty-seven States do not offer AFDC to unemployed two-parent families and States are prohibited from aiding needy two-parent families who are working. Over the years, there has been concern that concentration of AFDC benefits on fatherless families, and the program's exclusion of needy families with full-time jobs, may have inadvertently encouraged family breakup and unwed parenthood. (page 13)

Persistent Poverty

- Two-thirds of children who are ever poor during a 15 year period remain in poverty for no more than four years. However, one poor child out of seven stays poor for at least 10 of the 15 years and can be considered "persistently" poor. These children spend two-thirds or more of their childhood in poverty. (pages 43 and 44)

- Persistently poor children have characteristics that are different from the population as a whole. They are 90 percent black, a significant majority live in the South and lack a father in the home. They are most likely to live in rural areas. (pages 44 and 45)

- Much of white poverty is short-term and associated with changes in marital status and family earnings. Black poverty lasts longer -- the average black child can expect to spend more than 5 years of his childhood in poverty; the average white child less than 10 months -- and is less affected by changes in family composition. (pages 47 and 48)

- In theory, the poor can benefit either directly or indirectly from improved economic conditions. However, it appears that economic growth cannot be expected to reduce the rate of poverty among children very rapidly. Unless recent trends are reversed, it might take as long as 12 years (with an unusually high 3 percent annual growth rate in average market income relative to poverty thresholds) for the poverty rates of male-headed families with children to drop back to the levels of 1979. For nonwhite female-headed families, it might take 5 years. (page 176)

Family Composition

- The number of female-headed families with children more than doubled from 1959 to 1983. The share of all children living in such families climbed from 9 to 20 percent. Among poor white children, nearly 40 percent live in female-headed families, whereas among poor black children that figure is nearly 75 percent. (page 57)

- Poverty rates among children in female-headed families consistently have been much higher and more persistent than those for children in male-present families. However, from 1978 to 1983 poverty rates increased faster among male present families than in female-headed ones, increasing the share of poor children with a man in the home. (page 57)

- The number of poor children increased by 3 million from 1968 to 1983, even though the total population of children decreased by 9 million in those years. (page 57)

- In 1983, more than half of all children in families with five or more children were poor. In contrast, among children in families with only one or two children, just under 15 percent were poor. (page 57)

- If the proportion of children in female-headed families had not increased over the last quarter century, it is estimated that the number of poor children in 1983 might have been almost 3 million less than it actually was. (page 57)

- Birth rates to unmarried teenagers have increased steadily since at least 1940. Even though birth rates among teenagers overall are declining, more of their babies have been conceived out of wedlock and fewer of the mothers are marrying before the birth. (page 58)

Historical Trends

- The child poverty rate was cut in half between 1959 and 1969 to a record low of 13.8 children per 100 in 1969. Since then the trend has reversed. By 1983, although it still was below its 1959 level, the child poverty rate had climbed about 60 percent above its 1969 low. (pages 3 and 5)

- Although the levels are sharply different, the trends in poverty rates among black and white children were similar. Poverty rates among white children declined from 20.6 percent in 1959 to a low of 9.7 percent in 1969; from that time they fluctuated until they began to increase again to 16.9 percent in 1983. Among black children, the rates declined from 48.1 percent of black children in poverty in 1959 to a low of 39.6 percent in 1969. After a period of fluctuation that rate also increased again, to 46.3 percent in 1983. (page 74)

- Whether poverty is measured before or after government transfer payments (social insurance and welfare), and whether the income counted includes or excludes non-cash benefits and money paid as taxes, child poverty rates rose especially sharply from 1979 to 1983. (pages 39-41)

  - From 1979 to 1983, the poverty rate for children under the official Census Bureau definition increased 35.4 percent. Under alternative definitions of poverty, the percentage increase was even larger, ranging from 48.9 percent to 63.9 percent. (page 40)

  - If taxes were deducted in the official definition, child poverty rates would increase by 0.8 percentage points in 1979 and by 1.5 percentage points in 1982. The number of additional poor children in 1982 (1.5 percentage points) would increase by approximately 900,000. (pages 41-42)

The Experience of Two-Parent Families

- From 1978-1983, a period frequently marked by recessions and unemployment, the share of the nation's poor children in female-headed families decreased. This was because the poverty rate climbed more rapidly in the much larger group of male-present families, who generally obtain a larger share of their income from the job market than female-headed families. (page 72)

- Without a working parent, a child is almost sure to be poor. But having a working parent is no guarantee against poverty. Many children need two earners to escape poverty. One-fourth of children in married-couple families would be poor if their only income were their father's earnings. (page 132)

- When poor families do earn their way out of poverty, secondary workers often play a crucial role, accounting for one-third to one-half of the extra income that lifts children across the poverty threshold. (page 249)

Why didn't the child poverty rate decrease as outlays for social programs increased?

- The incidence of child poverty rose 52 percent in the decade from 1973 to 1983, when Federal spending for income security climbed 83 percent in constant dollars. Why?

  - There is no paradox. Government spending for social insurance and cash welfare benefits to poor children, unlike overall income security outlays, declined in value from 1973 to 1983. Adjusted for price inflation, aggregate social insurance and cash welfare payments to children with insufficient market income were about six percent smaller at the end of the decade than at the beginning. Furthermore, the population of such poor children grew about 30 percent. Hence, government cash transfers per child in need of them fell significantly. Aggregate outlays for food stamps to children rose 75 percent in real terms from 1974 to 1983. However, from 1976 to 1983, total available cash and food stamp benefits fell by 20 percent per poor child. (page 177 and 182)

  - The rise in the incidence and severity of market income poverty of children during the decade was so large that real cash transfers would have had to rise substantially to compensate. Instead, the share of poor children served by AFDC and food stamps has declined. The share of poor children who received food stamps in a survey month fell from 76 percent in 1978 to 69 percent in 1982. However, the share of poor children covered by Medicaid was unchanged from 1970 to 1983, at about one-half, and the share of poor households with children that received subsidized housing rose slightly from 1977 to 1981, when it was almost one out of six. (page 177)

- AFDC benefit levels have been eroded by inflation although some of the cash benefit loss has been offset by food stamps. The maximum AFDC benefit of the median State (ranked by benefit levels) fell about one-third from 1971 to 1985 in constant dollars. Combined AFDC and food stamp benefits fell about one-fifth. (page 178)

- The reduced cash benefits translated into higher child poverty rates. Together, social insurance and cash welfare transfers in 1973 reduced the poverty rate of children from a market income level of 18.4 percent to a post-transfer level of 14.4 percent. This was a reduction of 21.7 percent. In contrast, the combined impact of social insurance and cash welfare payments in 1983 lowered the poverty rate by only 14 percent (from 25.8 percent before transfers to 22.2 percent after them). If transfers in 1983 had achieved the same relative poverty reduction as in 1973, there would have been about 1.2 million fewer poor children in 1983. (page 183)

Income Distribution

o The distribution of income among families has become more unequal. Ranked by family income to poverty ratios, families in the lowest fifth of all families had an average poverty income ratio of 0.91 in 1968, compared with still lower ratios of 0.83 in 1979 and 0.60 in 1983. The average income/poverty ratio of the highest fifth of families was 8.0 times that of the lowest fifth in 1983. In 1968, the top fifth's average ratio was only 4.6 times that of the bottom fifth, and in 1979, this multiple was 5.9 (page 166)

II. Policy Options to Reduce Poverty Among Children and III. Costs and Effects of Expanding AFDC

o The Congressional Budget Office analyzed more than 40 proposals for reducing poverty among children. Where possible, estimates were made of the cost to implement the proposal, the effect on poverty, and the number of families benefited. Some of the options included in the study are described below.

Establishing Minimum AFDC Benefits (pages 290-292)

- Creating a national minimum benefit level -- in which AFDC plus food stamps would equal 65 percent of poverty -- would target increased benefits on single-parent families in States with low benefits.

- CBO projects that, if enacted, minimum AFDC payments to a family of three would equal $396 monthly in 1986. For 2.2 million families currently receiving AFDC, this would increase monthly payments by an average of $111. The net increase for those receiving food stamps -- about 80 percent of those affected -- would average $73 because food stamp benefits would decline by $38, on average. Roughly 190,000 families would become newly eligible for AFDC as a result of a minimum benefit, receiving average payments of $197 per month.

- As a result of this proposal, the poverty gap -- the amount needed to bring all poor families to the poverty line -- would decline by $2.7 billion. Setting the minimum benefit level at 70 percent of poverty would affect about 0.2 million more families; current beneficiaries would average $160 in additional monthly benefits.

Promoting Family Stability (pages 292-295)

- Mandating two-parent coverage based solely on need would encourage families to stay together by reducing the current incentive for one parent to leave home so that the family can become eligible for AFDC. One of the options analyzed by CBO would require all States to cover needy two-parent families but allow aid to be limited to 6 months per year.

- An estimated 450,000 families would become AFDC recipients under this option; benefits would average about $397 per month. In fiscal year 1986, the Federal cost of this option would be $1.3 billion: about $1.1 billion for AFDC payments, and $0.4 billion for Medicaid benefits, with savings of $0.3 billion in food stamps. The poverty gap would decrease by $0.8 billion, roughly 3.3 percent.

Expanding the Earned Income Tax Credit (EITC) (pages 307-313)

- The EITC promotes three goals: (1) it helps poor children by providing greater resources to their families; (2) because married couples can qualify for the credit, there is no incentive for families to split; and (3) because aid is given only to families who work, the benefits are targeted to families trying to help themselves.

- One of the proposals for increasing the EITC analyzed by CBO would raise it from 11 to 16 percent of the first

$5,000 in earnings, hold the credit constant at $800 for earnings between $5,000 and $11,000, and phase the credit out between $11,000 and 16,000. Assuming it is effective in calendar year 1985, this option would extend the EITC to 3.7 million new families at a cost of $3.4 billion in FY 1986.

Health and Nutrition Services for Needy Families

- Extending Medicaid coverage to all children and pregnant women in families with incomes below 65 percent of the poverty level would provide medical care for an additional 700,000 children and 100,000 pregnant women. Annual Federal outlays for the Medicaid program would increase by about $400 million under this option. (page 326)

- If Congress increased funding for the supplemental food program for women, infants and children (WIC) by $500 million, the program could serve approximately 1 million additional mothers and children. (page 333)

Adolescent Pregnancy Prevention and Services

- The Urban Institute estimated that the Federal government spent $8.55 billion in 1975 on AFDC households where the mother was a teenager when she had her first child. It has also been estimated (by SRI International) that each of the approximately 442,000 teenager first births in 1979 would cost the Federal, State and local governments together an average of $18,700 in additional health and welfare costs over the next 20 years. (pages 345 and 346)

- Reducing the birthrate of teenagers under 20 years of age by one-half would lead to a 25 percent reduction in AFDC costs in 1990, while halving the birthrate of only those teenagers who are under the age of 18 would result in savings of 12 percent of AFDC costs, according to the Urban Institute. (page 346)

- If Federal funding for Title X family planning services was expanded and earmarked for serving adolescents, an estimated 1.4 million additional teenagers could be served for an additional $100 million. (page 351)

- School-based service programs that provide access to child care and to other supportive services can reduce dropout rates after pregnancy. A 1979-1980 national survey of the needs of and services for teenage parents found that child care was the most commonly reported unmet need. (page 356)

- Adolescent parents on AFDC are particularly at risk of long-term poverty. Welfare offices could play a stronger

role as "brokers" for services needed by teenage mothers. For example, all AFDC offices that serve at least a minimum number of adolescent mothers could be required to have at least one caseworker who specializes in the problems facing them. This caseworker would help adolescent parents obtain a range of necessary services -- for example, subsidized care for infants and toddlers and dropout prevention services. Given that these clients are already being served, this requirement would merely represent a shifting of resources and would require minimal additional funds for initial training. (pages 357 and 358)

Work Programs for Welfare Recipients (page 362)

- The long-run well-being of children in poor families depends heavily on the ability of adults in those families to obtain jobs that pay adequate incomes.

- A new national program that would provide closely supervised work experience for AFDC recipients could be effective in increasing the earnings of women who are long-term AFDC recipients. For example, participants in the national supported work demonstration engaged in nine months of closely supervised work experience in which the demands of the job and the standards of performance were steadily increased until they were similar to low-paid jobs. The result: over a year after leaving the program, the average earnings of participants were almost 50 percent higher than those of a similar group that had not participated.

Reauthorizing the targeted jobs tax credit (pages 363-364)

- The targeted jobs tax credit (TJTC) encourages private employers to hire economically disadvantaged youth, recipients of specified cash transfer programs and members of other designated groups. Under current law, the credit will not be available for workers hired after December 31, 1985. If Congress reauthorized the TJTC and if one-third of the subsidized jobs were assumed to be net gains for the target group, the cost for each job created would be between $2,000 and $3,000.

- Participation by employers in TJTC could probably be increased by broadening the eligibility criteria, raising the percentage of wages for which a credit could be claimed, making the credit refundable, or increasing outreach efforts by the Employment Service.

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